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HOW TO MEET HARD TIMES

**A Program for the Prevention
and Relief of Abnormal
Unemployment**

**Mayor's Committee on Unemployment
NEW YORK CITY
JANUARY, 1917**

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NEW YORK CITY
JANUARY, 1917

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MAYOR'S COMMITTEE ON UNEMPLOYMENT
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*Resigned before this report was approved and hence did not participate in its consideration.

11 05-11

Mayor's Committee on Unemployment

CITY OF NEW YORK

Appointed by
HON. JOHN PURROY MITCHEL, *Mayor*
January 25th, 1916

“To deal constructively with the problem
of unemployment and prepare against
a recurrence of unemployment crises”

2-18-32
Recd. 11:40

WM. D. BALDWIN	-	-	-	-	-	<i>Chairman</i>
JOHN R. SHILLADY	-	-	-	-	-	<i>Secretary</i>
B. LASKER	-	-	-	-		<i>Assistant Secretary</i>

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FOREWORD

Always industrial crises find American communities unprepared to deal with the crucial social problems which they develop. In this respect the crisis of 1914 was typical. New York, as a community, was rudely faced with the fact that millions of its inhabitants are dependent for their livelihood, from day to day, on the activity of industries and commercial undertakings in which they are employed but in whose continuance or stoppage they have no voice. Stoppage of industry means, for wage workers at least, stoppage of the sources of livelihood. In short order, for the majority of unemployed workers, resources available for maintaining themselves and their dependents are exhausted. Voluntary relief associations are inaccessible or inadequately organized to function to meet the demands for aid—which are generally demands for work and not for relief. In blind hope, as a last resort, the government—of undefined power—is looked to for aid. The city has funds. The city has work to give. The city can, if it will, provide the means of helping workers who are swept adrift from their economic moorings to secure temporary subsistence. But the city has been preoccupied with its multifarious routine; and the city as a governmental mechanism has not been contrived for industrial activity and alleviation of the necessities of the out-of-work.

Yet despite its preoccupation and unfitness the city government in some capacity must act because no other organization is representative of the claimants for aid. In 1914, and to a less degree in similar earlier crises, the one certain instrument of succor and assistance was the government—not the intangible federal government, not the remote state government, but the immediate, reachable government of the city. There seemed every warrant for the city's undertaking leadership, at least, in marshalling those forces of the community that might aid in restoring normal economic activity or in bridging over the period of demoralization. There was no method available nor any warrant at law for the city's creating work opportunity or for providing wages out of public funds.

The demand for city aid came first not from the workers themselves, but from the friends of workers in the collective sense, whose sensibilities were wounded by the evidences of distress and whose hearts and minds kindled with ardent desire to bring aid. Accordingly, effort was made to concentrate public thought and effort on the appealing, urgent problem of counteracting the inevitable misery, humiliation and bewilderment that follow when factory fires are out, mills are shut down, business is restricted, and the sources of livelihood of a multitude are suddenly stopped.

The Mayor appointed a committee composed of leaders of industry, finance, and labor, with workers in government and social service to contrive a program and policy for the city to pursue. Zealous and whole-hearted effort was put forth, funds were gathered, relief work supplied. A general

stimulus to every branch of the government was given by this official recognition of the city's responsibility for action to meet an industrial crisis. Good was accomplished, how much was not measurable; some constructive benefit remained from the effort, notably the city's Public Employment Bureau; but permanent gains in better articulation of industry, provision for thrift reserves, correction of trade practices and industrial habits that tend to aggravate distress in times of industrial collapse, were not of great moment.

Never in New York's history had so extensive and earnest an effort been made to deal with a city-wide economic problem through the channels of government and community cooperation. Many expedients were tested and plans and programs discussed and tried. The variety of effort, and experience in its application, the analysis of the problems underlying the general disturbance, all prompted the suggestion that some permanent record be made of the experience and the results of analysis and observation. This suggestion led to the preparation of the following document—a carefully conceived treatise on “How to Meet Hard Times.” A longer but more specific title would be, “How a Community May Anticipate and Meet an Industrial Crisis.”

Cutting across all past experience has come the war and its momentous and as yet unmeasured changes in economic organization. From these changes there should come fuller preparation against hard times and some measures to obviate the industrial crises that heretofore have been of periodic occurrence. The probability is, however, that collapses will continue to occur when industry comes back under normal influences and after the war pressure is removed. The temperate and sometimes temporizing suggestions contained in this study would not be suited to an industrial order where the social need and purpose are paramount as they now have become paramount in war preparation, when an industry is made subservient to national needs. There will be a nearer approach to this condition, perhaps, after the war, but not the full realization of it. It seems still desirable, therefore, despite the war's alteration of our economic philosophy, to conserve the suggestive material incorporated in this study for use on later occasions and to stimulate, perhaps, constructive thought and effort in anticipation of the hitherto inevitable breakdown of industrial organization in periods of financial, or world, crises.

My own association with the analytical and constructive work of the first and second mayor's committees on unemployment was prompted by a desire to promote the social usefulness of the city and to further the use of the mind and effort of the community to deal with some of the fundamental economic problems of community life. To this end studies were made for the second mayor's committee by Mr. Shillady and Mr. Lasker which “How to Meet Hard Times” presents in a useful and effective manner. I for one am deeply grateful to them for their valuable work.

HENRY BRUÈRE.

New York, December 15, 1917.

I

ANALYSIS OF THE PROBLEM

Unemployment a permanent by-product of our industrial organization. Relief problem apt to overshadow industrial considerations at times of abnormal unemployment. Relation of "hard times" to general problem of regularization of industry. Explanation of fundamental economic causes not attempted.

Definition of unemployment essential to practical policy of prevention and relief. Definition. Complicating factors. A test of bona fide unemployment. Need for its general application to determine eligibility to unemployment benefits, loans and grants.

Employment the only cure for the evil of unemployment. Recovery of trade more important than relief measures. Plans for stabilizing trade and employment must be laid in normal times. Need for better and wider knowledge of condition of labor market. Lack of comparative statistics. Appropriations for Federal and State statistical services insufficient.

Assumption that complete preventive action will not be taken. Probability that emergencies will again occur. Not necessarily giving rise to problems of relief alone. Relief in the strict sense, the least important part of preparedness program.

Abnormal Unemployment

It is difficult, during a time of feverish activity, to bear in mind that unemployment is a normal and not an abnormal product of our industrial system. It exists even when trade is exceptionally brisk and when employers everywhere complain of a lack of workers. This evil arises from irregularity of trade, from industrial maladaptation, from lack of machinery effectively to bring together demand and supply, from lack of a production policy designed to stabilize employment, and from personal causes. But in addition to all the normal causes of unemployment, there arise occasions when the number of workers laid off becomes abnormal, when the usual reabsorption in other employment of those thrown out of work does not take place, when plants are shut down and large numbers of small employers, looking for their trade to the spendings of the industrial population, are forced to give up business for lack of a sufficient turnover.

At such times a general depression of enterprise becomes superimposed upon the more or less permanent margin of unemployment and, spreading over one phase after another of the industrial life, causes everywhere anxiety, distress, even starvation. The normal flow of labor becomes converted into a stagnant pool. *It is this special phase of "hard times," the unemployment caused by trade depression, which will be discussed in the present report.*

An Industrial as Well as a Relief Question

Owing to the suffering and distress which at such times invade so many homes unemployment has come to be considered so largely in terms of the relief problem which is incidental to it. Absorbed in thoughts of and for

the "unemployed" the far more important, underlying problem of dealing with *unemployment as a condition of modern industry* is overlooked. It is only as the industrial element is recognized as fundamental and the purely personal element as incidental that an understanding of the significance of hard times may be attained and the way opened to effective preventive and remedial action. Only when normal trade is restored and unemployment regains its more familiar character—that is, the two-fold evil of industrial misfit and lack of organization—can time and energy be transferred from considerations of local relief to a study of the great fluctuations of trade and possible means of averting their occurrence, or at least smoothing out their pinnacles of boom and slackness.

Relation of General Problem of Unemployment to that of "Hard Times"

The present Mayor's Committee on Unemployment was appointed partly for the purpose of preparing against future unemployment crises. Its main endeavor, nevertheless, has been to deal constructively with unemployment generally by helping to increase the contact between the jobless man and woman and the employer seeking help, by tracing the causes of irregularity of employment and aiding employers in reducing the wastefulness which springs from a large labor turn-over and from the use of casual, irregularly employed and undependable labor.

In these studies and efforts to improve employment methods, the Committee has become impressed with the close relation which the employment conditions of "hard times" bear to the general lack of system in stabilizing enterprise and making employment permanent. The special tendencies which in "hard times" dislocate employment on a large scale are aggravated by a normal insecurity in the hold upon the labor market which is shared by many thousands of our industrial workers. That insecurity is a constant source of anxiety in tens of thousands of homes; it produces incompetence and a lowering in the standard of life, which, in certain occupations, assumes dangerous proportions.

We cannot, however, within the scope of the present report attempt to cover the whole field of "predisposing" circumstances, whether they be instability due to personal causes, to maladjustment between demand and supply, to seasonal irregularity of employment, or to such complete lack of organized employment methods as are characteristic of such important trades, for instance, as that of the building laborer or the longshoreman.*

Causes and Radical Remedies

Nor shall we attempt to enter into the intricacies of such highly controversial explanations of cyclical variations in employment and proposals for radical industrial re-organization as are offered by socialists, single-taxers, trade unionists and other propagandist groups. We appreciate the value of studies and movements which through fundamental economic,

*See *Report on Dock Employment in New York City and Recommendations for its Regulation*, October, 1916, 82 pp., for the Committee's discussion on longshore employment.

social and political changes aim to purge our industrial system of general evils which have crept into it and undoubtedly are very largely responsible for the distress and disorganization of which we speak. But we have deemed it advisable to confine ourselves, in this report, to a more restricted but, in our judgment, none the less necessary effort to outline the immediately practical and possible steps to be taken in anticipation of the next unemployment crisis.

While we believe that no apology is necessary for thus restricting the subject of this report we wish at the outset to record our belief that no changes in legislation, industrial management, or remedial action, no addition to public and voluntary administrative machinery for relief or mitigation, no system of unemployment insurance or of organized self-help can compensate for low wages or take the place of the security which comes from good individual earnings while at work. Though it is true that protection against the results of unemployment becomes of less importance as the wage-earner advances in general prosperity and ability to save, it must be realized that unemployment is the most potent cause of low wages and unsatisfactory conditions of labor; that every effort to reduce the marginal supply of labor, whether at normal times or during trade depressions, tends to increase the workers' share in the product of their toil.

The facts, in the main, are known. For a knowledge of the phenomena preceding, characterizing, and following trade depressions, we can refer our readers to the writings of Irving Fisher, Wesley Clair Mitchell, Stanley Jevons, W. H. Beveridge, Theodore E. Burton, Dennis Holmes Robertson and others.

Need for Agreement on Definition

For present purposes, a precise definition of unemployment is not essential. Since we propose in these pages to discuss the results of industrial crises and trade depressions, we need not concern ourselves with definitions which have a purely theoretical application. It is of the greatest importance, however, that there be an agreement on what is meant by *unemployment*. Many of the remedies which are proposed from time to time show an exceedingly hazy conception of the condition to be remedied. Above all, it is necessary to limit our inquiry quite definitely so as to exclude from consideration irrelevancies and complications.

To illustrate: the smaller tradesmen, dependent for their livelihood entirely on the custom of wage-earners, frequently lose their business when many of their customers fall out of work and, when this handicap is prolonged, are themselves driven into the class of workseekers or "involuntarily unemployed." As soon as they take active steps to seek work but are unable to secure it, they are unemployed, but not before. On the other hand, a man who is physically handicapped and unable for that reason to secure employment at a living wage, though he may continue to look for work unsuccessfully, should not be classed as unemployed, since his condition is due, not to lack of work but to inability properly to perform it. He has

to be relieved if in distress; but an effort should be made to avoid, at a time of wide-spread unemployment, the confusion of thought which encourages every unfortunate to seek charitable aid by labelling himself one of the "unemployed."

Of course, at a time of general depression, distress from many causes other than lack of work tends to increase—such as sickness, desertion, loss of invested incomes, mental unbalance. But to handle our task intelligently, we must circumscribe it sufficiently at least to make clear the classes for which special provision must be made until the workers' ability to secure employment renders such provision unnecessary.

A Working Definition

For practical purposes, the man may be termed unemployed who is seeking work for wages but unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards.

The last clause of this definition means that in deciding whether a man is unemployed or not, some judgment must enter into the consideration of his case. At a time of general depression, while it may not be reasonable to expect men to accept lower wages in trades with recognized local standards, it may be reasonable to expect a man to accept work at some other than his usual occupation, if fitted for it, even though wages are lower than those he usually earns. Acceptance of work at some distance from home may be a reasonable test of the sincerity of his search for work in the case of a young man without family responsibilities, but quite unreasonable in the case of an older and married man whose household has many local ties.

The time element is a further complication. Is a man unemployed who works at his trade only three days a week and seeks more employment? The obvious reply would be that he is unemployed on his off-days. But if this man's work is distributed over six half-days a week and he is applying for full employment, the determination is not so simple. For the sake of a practical distinction applicable to relief measures, we must fall back upon a common sense interpretation of the word "reasonable." Obviously, a man must be classified as unemployed, though partly employed at his trade and seeking further work, if his weekly earnings are conspicuously insufficient to maintain him and his dependents in the accustomed mode of living. On the other hand, a man would not be unemployed when, by arrangement between his employer and his union, he stayed at home one day a week so that the available work might be distributed over the members of the trade, and when he did not suffer sufficient hardship in consequence to find himself obliged to apply for other work.

A Practical Test

The practical test of unemployment in such cases, whether for the purpose of relief or of payment of loans or contributory insurance benefits, is the question whether active steps are being taken to secure work or not. And such steps, in the city of New York, obviously include application

either at a trade union office or an employment agency, private or public. The mere reading of newspaper advertisements or personal application at offices, factories and workshop cannot in these days be regarded as a complete and bona fide proof of an active search for work. Our definition, though partly implying judgment, has, therefore, a sufficiently concrete basis to make possible in the future a measurement of the volume of unemployment and of the remedial action required by considering the number of applications for work through the private and public instruments for registering them.

Obviously, in normal times, the most natural and easy test of unemployment is the one just named, provided applicants who have work at the time they apply can be divided from those who have not. Men who, though registered, refuse to accept work which is reasonable as regards terms and their fitness for it, would drop out of our definition. In the last few years, public and non-commercial employment bureaus have developed enormously both in the volume of their operations and in the efficiency of their methods. With the continuation of this development the test proposed, though now faulty and open to objections in minor particulars, will become more and more valuable. Within the near future, it should be possible to refuse a man's description of himself as "unemployed" as a plea for relief if he were not inscribed either on the books of a trade union which could vouch for the fact of his unemployment, or of a commercial employment agency, or one of the public and other non-commercial placement bureaus.

A further elimination, of course, will be necessary for any statistical survey of unemployment, to exclude those who, though unsuccessful applicants for work, are so old, feeble, or mentally sub-normal that they cannot be recommended for even the most modest vacant position.

It may be objected that this test while workable in normal times is likely to break down at a time of severe trade depression, when a census of unemployment as measured by a definition that can be generally accepted is more difficult to attain. At such a time, owing to the general lack of work opportunities, it must be recognized that many genuine unemployed do not find it worth while to register and re-register at some agency, but wait to apply for work until they know that employment opportunities are increasing in number. On the other hand, if it becomes widely known that application at an employment bureau is regarded as the determining test of willingness to work but that chances of employment are few, a temptation is offered to shirkers to qualify for relief by such application with no real intention of accepting work if offered. The obligatory requirement of registration as one of the conditions of any measure of unemployment relief, whether by out-of-work pay, by relief employment, loans, or any other form of aid, would make the registration of unemployed workpeople more complete even during a general depression without injury to other tests that may be applied to establish their bona fides. Employers have shown their willingness to cooperate with the public authorities and relief societies in the prevention and mitigation of distress through unemployment. If they can be induced, at a time of crisis or severe depression, to register all their

vacancies at one of the recognized agencies, public or private, and not to engage workers except through them, they would greatly contribute to the advantages of registration to the genuine unemployed worker. This action by employers would inure to the public advantage in a more accurate measurement of the volume of unemployment without which every program of prevention and relief must remain incomplete and of doubtful merit.

The Industrial Aspect

It is clear that unemployment, as we have defined it, does not primarily create a problem of relief. It differs from invalidity, desertion, widowhood, in that the distressful condition to be dealt with is one that need not be alleviated at all, provided that proper steps are taken to give the applicant opportunities of self-help. We are too prone to forget that the only adequate remedy of unemployment is employment.

"America in common with every industrial nation must look upon employment, namely the resumption of business activity, as the chief means of preventing unemployment. . . . The causes of industrial depression are inevitably involved in political policies and must inevitably be dealt with in political discussion, but underlying the general influence of governmental policies are these various factors of employment policies and conditions which must be dealt with primarily by intelligent employers, organized employees and finally by interested communities through their schools and other public agencies."*

No one will dispute that the chief remedy for the distress incident to the unemployment crisis of the winter of 1914-1915 was not any relief measure which was adopted or any action taken by the city administration or by private organizations, but the recovery of trade from causes entirely unconnected with the remedial agencies at work. The United States Commissioner of Labor Statistics computed that there were probably about 398,000 wage earners out of work in the city of New York in February, 1915, though the actual figure "can never be known, because no accurate statistics of unemployment in the United States are anywhere to be found," and that this number had fallen to perhaps 164,500 in September, 1915. "These figures indicate a tremendous recovery of industry and consequently an enormous increase in the demand for labor."†

The Fluctuation of Industrial Enterprise

The first object of any serious effort to mitigate the effects of unemployment from trade depressions and to prevent the recurrence of such a serious emergency as the city had to face in 1914-1915 must, therefore, be in the direction of combating the underlying business fluctuations and of attempting to steady the national trade and enterprise as a whole.

Such an attempt would embrace both a remedial and a preventive program. At a time of abnormal unemployment, there should be in the

* Henry Bruère, "America's Unemployment Problem," *Annals of American Academy of Political and Social Science*, September, 1915.

† *The Times Annalist*, January 3d, 1916.

business world the will and the knowledge of ways to increase activity at every point and, on the part of consumers generally and of the public authorities, efforts to keep active the demand for the products of labor. But in normal times, there should be a practical endeavor on the part of both producers and consumers to regularize the processes of industry, to hold back employment in good times if by that means a reserve of potential employment can be kept for times of slackness, to avoid artificial booms which later must needs lead to depressions, to keep speculation under control, and to maintain a watchful public organization for the effective distribution of the nation's labor power when and where it is needed.

Knowledge of the Labor Market

Above all, and most immediately, there is need for a more complete knowledge of the labor market. We must not allow ourselves ever again to be surprised groping in the dark by a crisis as was the case in 1914-1915. While the early effects of the Great War could not, of course, have been foreseen in their immensity and in all their bearings upon the economic life of this country, the war was only a contributing cause to a depression which would probably have occurred sooner or later. The unemployment crisis in question was by no means the only serious one in recent years, though it was the most incisive. Lacking comparative statistics of any value, we are unable to tell within a hundred thousand or so how much unemployment there was in New York during that winter; we do not know how much unemployment there has been since. In the present connection, we cannot reiterate in detail the proposals which have been made for securing reliable information on the state of employment.

The New York State Industrial Commission, as a result of the unpreparedness of 1914-1915, and of conferences initiated by the Mayor's Committee, has improved its system of securing from employers and labor organizations data which are among the most valuable anywhere collected, accurate so far as they go, and useful for general comparative purposes. But even these data, published monthly, are incomplete and do not permit of any intelligent estimates as to the approximate number of unemployed persons at any given time in city or state. *As one of the pressing needs of a program of preparedness, we would propose that the statistical department of the State Industrial Commission be provided with more adequate appropriations to develop this important part of its work.*

The Federal statistical service, so far as unemployment is concerned, is even weaker, considering the relatively larger territory to be covered. The Bureau of Labor Statistics, though it has cooperated in a number of special investigations, has practically no appropriations which would enable it to keep an eye on the state of employment at all times. In fact, the machinery of our national and state governments is much inferior even to such incomplete machinery for gathering employment statistics as most industrial countries of Europe possess.

In comparison with the incalculable losses from lack of preparedness,

from being surprised by sudden stoppage and general depression which is characteristic of a business crisis, the appropriation necessary to maintain a first-class national barometer of trade is relatively a mere trifle.* We merely advance the general proposition here without going into details, since the purpose of the present report is, more especially, to discuss the local problem.

How the industrial aspect of the problem may be dealt with by trade and industry, employers and consumers, labor organizations and public authorities, will further be discussed in Chapters II and III.

The Emergency Problem

Assuming that everything has been done, both by previous organization of industry and after a trade depression has been heralded and in part set in, to reduce to its smallest possible dimensions the volume of abnormal unemployment,† there should be no further need for an emergency program. Everything that is likely to happen has been foreseen; forewarned, our industrial leaders and our public authorities are forearmed; nothing catastrophic can happen. Unfortunately, we cannot permit ourselves such undiluted optimism. We may assume as a matter of practical certainty that the next trade crisis will not find this country prepared to bring into operation with becoming promptness and efficiency machinery for its abatement or for its relief, in so far as such a crisis cannot be prevented by industrial adaptation. We shall still have an emergency less severe, let it be hoped, than that of the last panic, yet one that must be met intelligently, constructively, if possible in a way that will lead to better organization and machinery for prevention in the future.

Emergency Not Solely a Relief Problem

But it is a mistake to believe that emergency activity must necessarily be one of relief alone. The unemployment and the distress occasioned by it may largely, perhaps entirely in the case of one of the milder attacks, be diverted by an intelligent spreading of the available employment over as many wage-earners as will give each of them a sufficient income to weather the storm without resort to relief. Again, the necessary relief may be provided by self-help, paid for in times of good employment through thrift or insurance. Though drawn upon by wage-earners in times of unemployment, such funds are emergency relief only in the sense that every involuntary idleness constitutes an emergency. Indeed, they may greatly help to stabilize trade by keeping up, even in adversity, the consuming power of the wage-earning classes. There can be no hard and fast distinction between

* The federal government would have been wholly unable to secure such unemployment data as were secured in 1914-1915, were it not for the improvised field staff put at the service of the federal government and the Mayor's Committee by the New York City administration, and the canvass of its industrial policy-holders in some twenty cities, including New York, by the Metropolitan Life Insurance Company.

† Since doubt has been thrown on the accuracy of the explanation of the recurrence of periods of unemployment at intervals of several years by cyclical economic phenomena, and in order to include the excessive unemployment occasioned both by trade depressions and by financial crises, we shall use the word "abnormal" unemployment in this report wherever we mean unemployment during "hard times."

measures which are entirely preventive and those which are entirely remedial, or among the latter between those which require for their operation machinery previously set up and that which may be organized during the emergency. Yet for the sake of clearness we have made those distinctions in the following discussion.

The field for emergency relief in the narrower sense is and always has been the least important. In view of the large sums which during the last trade crisis were spent in New York alone upon relief employment and charity in various forms, this statement may seem surprising. But there is not the slightest doubt that, compared with the few hundred thousand dollars distributed in that way, the provision made for staving off distress by means of action on the part of employers, public authorities, consumers; and business generally, to steady trade and keep people at work, together with the aid obtained by unemployed workpeople from trade unions, from credit institutions and from their own savings, was enormously greater.

The proper sphere of emergency relief in any complete scheme of provision against unemployment is the residual problem when all these other influences have been at work and all these other resources have been exhausted. The doling out of bread, soup or money, even relief employment at a made job, come last, not first, in a well worked-out program of preparedness. Indeed, it may almost be said that the efficiency or lack of efficiency of social organization and mutual consideration in an industrial community can be measured by the extent to which it is necessary, during a time of business depression, to maintain able-bodied and willing workers out of charitable funds.

II

ACTION BY CONSUMERS AND EMPLOYERS

Psychosis of trade depressions. Need for popular education in meaning of trade fluctuations. Maintenance of normal consumption aids recovery. Aid to unemployed less desirable than continued purchasing through normal channels. Advancement of purchases and employment generally at times of depression. Advantage at such times of special inducements to anticipate future needs.

Overproduction resulting from excessive conformity of industrial production to state of market. Accumulation of savings in good times, if in few hands, leads to excessive investment in industrial capital. Effect of prices on producers' psychology. Manufacturers fail to realize cost to them of fluctuating production. Anticipation of fluctuations through planning of production. Introduction of new lines of manufacture. Retardation of deliveries. Accumulation of stores. Manipulation of prices.

Planning of improvements and extensions for times of slackness. Relative cheapness of capital expenditures made at such times. Distribution of work over labor force at times of slackness. Importance of short time, holidays and leave of absence. Trade agreements on employment policy during slack times. Participation of a public bureau in working out such policies and agreements.

(a) CONSUMERS

The Psychology of Trade Depressions and Crises

The dire effects of periodic trade depressions are much accentuated and prolonged, if not caused, by the state of mind of the general public. In industry, a sudden conservatism sets in; necessary extensions and improvements are postponed; extreme caution is observed in bringing on the market new lines, in giving and extending credit, in producing in advance of demand. With the general consuming public it means a sudden conversion from expansive liberality to extreme economy. An irrational fear for the future sets in even among people who usually have no hesitation to spend the earnings of to-morrow as well as those of to-day. Normal replacements in furniture and household goods are not made; the removal to the bigger house in the next block is postponed; the old automobile is repaired just enough to keep it going where otherwise it would have been replaced by a new one. Less expensive toys are chosen for the children; last year's hat is re-trimmed; books and piano lessons are removed from the list of family necessities.

A psychological epidemic results. After a rumored bank failure or two, at the first news of factories shut down, or of an uneasy stock exchange, even those unaffected financially abandon their expensive habits or cherished projects of enjoyment and decide to play safe. It is then that the real trouble begins. A financial panic provides agreeable newspaper reading to Murphy, the bricklayer, and Schmidt, the tailor. But when the normal

flow of orders from the retail stores to the manufacturers is lessened, when the contractors have no work to go on with, and the amusement places are half empty, then the prospect of unemployment looms large for Murphy and Schmidt and for hundreds of thousands of their fellow-workers.

Public Education Needed

Can anything be done to steady the flow of consumption in face of a storm in Wall Street or of rumors that a severe business depression has set in? Can some machinery be devised that will keep up the confidence of the millions who are not directly concerned in stock dealings, in the wheat harvest, or whatever it may be that has started the panic? We believe that a more widespread education of the people in the meaning and effects of financial crises might result in lessening the severity of these reverberations down the social fabric. An ideal preparedness program would not leave the consuming public in the dark as to the general tendency in prices, in trade activity and the business prospect. It would provide machinery for public information on the state of business and employment which would bear the stamp of authority and help to prevent needless alarm.

It is necessary to teach people that the worst service they can render when times are bad and unemployment threatens large numbers, is to reduce their normal expenditure—assuming their income not to have become attacked—and withdraw their custom from the market. It is, of course, quite natural and praiseworthy that at times of general distress people feel disinclined to spend largely on personal comforts and pleasures. It is excessive retrenchment, not economy, which at such times plays havoc with the stability of trade.

Endeavors have been made heretofore to induce the public to continue spending on the usual scale, but they have not, as a rule, been successful. Excessive and harmful luxuries apart, these efforts are desirable, nevertheless, and might be made more effectively. Only, they must be made on the basis of a general appreciation of the actual situation, and they must be made early enough. Such attempts are more important, even though they are more difficult, than endeavors to get private individuals to employ those suffering from unemployment upon useless services and manufactures. Such assistance as neighborliness can render is nearly always unnecessarily late. Attempts to organize the diffuse outbursts of philanthropy towards the unemployed neighbor are apt to destroy the only virtue such outbursts have, their spontaneity. They usually lead either to overlapping with other organized charities or remain without results. The experience of the Mayor's Committee in this matter has been no more encouraging than that of similar bodies in other cities.

Advanced Purchasing a Means of Steadying Employment

There is, however, a great deal of necessary employment in a community which through procrastination is continually withheld until, under some special impulse, it is taken in hand. In so far as services and purchases

are made under normal conditions as regards methods of employment and wages, it is desirable to induce the public to anticipate rather than to withhold the giving out of such work at times of depression. There is no reason, given a general education of the public in the advantages of an even flow of consumption, through good times and bad, why special encouragement should not be given when a little extra confidence would be helpful to maintain the equilibrium of employment in the community, to purchase imperishable household goods in advance of actual needs, to have repairs and alterations contemplated for next year done, if possible, this year.

Such educational stimulus might be given by some central organization keeping a constant watch over the labor market, both in the form of a direct appeal to consumers and, indirectly, by encouraging producers to offer especially attractive conditions of purchase or service and thus increase the incentive to anticipate future wants. Purveyors and retailers at such times often are forced to hold special sales and in other ways stimulate trade. It is possible to back up their efforts by a public appeal which emphasizes the social advantage of utilizing the opportunities thus provided. In another part of this report (page 53), the creation of a small municipal bureau of information on the state of trade and the relief resources of the city is recommended. Such a bureau would be the logical organ of the city government for effecting at times of depression the public education here advocated.

(b) EMPLOYERS

Over-production

There is a certain theoretical distinction between financial crises which come about independently of any action taken by industrial employers and business depressions which are largely due to relative over-production. In both cases, however, influences are operative which it is possible by forethought to counteract. The feverish activity which characterizes industry during a time of boom, is certain sooner or later to come to an end, whether this end take the form of a panic or that of a gradual depression resulting from an over-supply of commodities which the markets of the world are unable quickly enough to absorb.

As a result of accumulated savings which must be invested in new productive undertakings and industrial expansion generally, production is apt so far to outstrip demand as to cause a serious glut in the market, with the obvious result of forced inactivity and unemployment.

"The only radical remedy," says Beveridge,* "is to raise the standard of spending so as to limit saving, and to reform the distribution of consuming power, by imposing fresh taxation on large incomes, by raising wages, by shortening the working day, and by other measures of like character."

But as things are, over-production also results directly from the optimism naturally caused by a time of exceptional trade prosperity. Suppose that wages had been raised everywhere, working days were reduced, and more

* "Unemployment, A Problem of Industry," Longmans, Green & Company, London, 1912, p. 58.

were spent for the common welfare by public authorities from the proceeds of larger taxes on high incomes; we should still have to reckon with an exaggeration of the demand for commodities created in the minds of producers by a period of abnormal prosperity. In a state of general competition, they are quite in the dark as to the size of the total demand, its tendencies and its limits. Even if they did possess such information, each would try to secure a larger share of the common market. The obvious result, of course, is that prices fall; and if the downward movement of prices goes on unchecked, the point is reached eventually when production no longer remains remunerative, and unemployment ensues.

This tendency is aggravated by what has been called the "cyclical delusion prevalent in periods of low prices that high prices will never come again."*

Underlying Causes of Fluctuations in Production

No complete remedy can be found, so long as the fundamental causes of these fluctuations remain untouched; so long, that is, as industry is competitive, as incomes are distributed unequally (forcing into the hands of a comparatively few at times of prosperity large earnings which must be invested productively then and there), as knowledge of the world's absorbing power of the industrial product remains to each producer an unknown quantity.

The enormous tactical advantage possessed by financiers who can forecast events and to a certain extent control them, has been pointed out by several recent writers on the subject.† Under present methods of financing industrial enterprise, producers do not sufficiently attempt to counteract the depredations of certain large speculative interests by providing themselves with machinery for current and accurate information on profits and credits and by acting upon such information.

The Cost of Fluctuating Production to Manufacturers

Nor are manufacturers sufficiently conscious of the heavy penalty which they have to pay for the periodical fluctuations in production. It seems natural to them to take advantage of good times and to reduce their output in bad times, when prices are low and money dear.

As this is one of the fundamental aspects of the problem with which we here deal, we may be pardoned for quoting at some length Mr. Wesley Clair Mitchell, who has made an intimate study of the phenomenon of business depressions.

"Where humanitarian motives are not allowed to interfere with business policy, the less efficient employees are the first to be discharged after a crisis. Hence the relatively small working forces of depression are the picked troops of the industrial army. When a revival has grown into full prosperity, on the contrary, employers

* Hull, "Industrial Depressions."

† Notably, Wesley Clair Mitchell; "Business Cycles," University of California, 1913, p. 539.

are constrained to accept any help to be had. They must take on men who are too old, and boys who are too young, men of irregular habits, men prone to malingering, even the chronic 'trouble makers.' Raw recruits of all sorts must be enlisted and trained in a hurry at the employer's expense. A deterioration in the average efficiency of the working forces inevitably follows.

"... While the relatively inefficient reserve army of labor is thus called into active service, both the standing force and the reserves are kept at work long hours. Now overtime labor is especially expensive to employers, not only because it often commands extra rates of wages, but also because it is tired labor. Few manual laborers possess sufficient strength and vitality to stretch out their working day from 8 or 9 to 10, 11 or 12 hours for weeks or even months at a time without suffering a decline in efficiency. At first, the closing hours of the long day, after a time all the hours of every day, find the men less alert and less energetic—unable to accomplish as much work per hour as in less busy seasons. Moreover, the quality of the output declines as nerves become fatigued. 'Spoiled work' increases often at an alarming pace, and the resulting loss of materials and time threatens serious encroachments upon profits.

"Quite apart from this difficulty of overtime, men cannot be induced to work at so fast a pace when employment is abundant as when it is scarce. Employers complain that in good times their men 'slow down'; employees complain that in dull times they are 'speeded up.' Whatever may be the merits of this chronic dispute about the fairness of the day's work given for a day's pay in either phase of the business cycle, there is abundant testimony from both sides as to the existence of a considerable difference in the energy exerted."

Without attempting to analyze very deeply the industrial problems which lie behind trade depressions and panics, it is clear from what has been said that it is in the interest of manufacturers to prevent such severe fluctuations in the volume of production as have occurred from various causes in the past. The preventive measures which can be taken by manufacturers may briefly be classified under three headings:

- 1 Anticipation of fluctuations through planning of production;
- 2 Expenditure on improvements and extensions at times when prices are low and maintenance of production on the normal scale does not pay;
- 3 The spreading of employment at such times over as large as possible a part of the normal working force by short time, furlough and similar devices.

(1) Planning of Production

Production During Slack Period

The prevention of fluctuations in production involves the application to larger time units, and on a more extended scale, of endeavors already successfully made by many manufacturers to meet seasonal fluctuations. In the men's garment industry, the introduction of stock lines which could be produced during slack times has proved of use. Special advertising campaigns insure sales for these products which do not simply take the place of other sales but represent an addition to the total merchandise absorbed by the market. Similar results have been accomplished by a

large foundry, by a paper goods establishment, by shoe manufacturers, and others.*

The idea that production must cease while large stocks accumulate partly proceeds from an erroneous interpretation of the stoppage. There need not be, as a matter of fact, a reduction in consumption at times of depression, but the demand is withheld under the influence of the general fear and conservatism which has been described above. *A priori*, there is no reason why, with falling prices, fewer people should purchase winter coats than with normal prices.

If a sufficient inducement is given to buy and the prevailing pessimism is broken down, a season of low prices would be exactly the one in which people of moderate means would be eager to replenish their wardrobes and other belongings. Moreover, at times when the market for his normal product is diminished owing to a psychological situation over which the individual manufacturer has no control, the opportunity is often an excellent one to give his mind to the production of new commodities, not in competition with those already on the market, but goods for which a sale can be found in addition and quite outside that for the normal product. In this way, many manufacturers, as a matter of fact, have developed exceedingly profitable staple lines. Forced to think of goods which could be produced cheaply, in large quantities, and independently of passing fashions, goods which would not deteriorate by moderate periods of storage, they have created new standard lines which, in some cases, have eventually proved of greater permanent importance to the business than the original varying patterns of which the trade consisted.

It may be contended that the introduction of new lines or special sales campaigns at times of depression does not increase the total volume of goods purchased and, therefore, merely postpones the unemployment of a proportion of the workers. Such a consideration leaves out of account, however, the fact that unemployment is actually decreased when it is spread out over a longer period. Every effort to lessen unemployment at a time of general apprehension means immediate addition to the consuming power of the people and assists in a more gradual working off of the accumulated results of over-production as compared with the severe under-consumption characteristic of a crisis.

Retardation of Deliveries and Storage

But the planning of production with a view to abnormal trade conditions involves more than laying plans for the production of staple goods at times of slackness. In some industries under centralized control, it is possible to develop a production policy which is largely independent of the

* Endeavors along the line indicated are referred to in the Report of the Mayor's Committee on Unemployment, January, 1916; "Personal and Employment Problems," Annals of the American Academy of Political and Social Science, May, 1916; Proceedings of National Conferences of Employment Managers, U. S. Bureau of Labor Statistics Bulletins Nos. 196 and 202, 1916; "The Unemployed of Philadelphia," Report to Department of Public Works, City of Philadelphia, by Dr. Joseph H. Willits, 1915; "Regularity of Employment in the Women's Ready-to-Wear Garment Industries," U. S. Bureau of Labor Statistics Bulletin No. 183, 1916.

current market and to insure regular sales by refusing to follow the cyclical vagaries in the demand for the product. Where a monopoly exists, it is often possible to retard deliveries at times of high demand in such a way as to insure continued production. But even where there is no monopoly, combined action on the part of producers could go a long way in steadying the market. One of the methods which has occasionally been resorted to is that of a combined storage of products at times of slackness for sale when the market recovers. But it requires an exceedingly close cooperation to make such an attempt successful. The manipulation of a store on behalf of a combination of producers is apt to lead to friction, because of their conflicting interests and diverse judgments as regards the accumulation and reduction of the volume of goods stored.* Moreover, a combination for the purpose of regulating production by this means, even if it were not "in restraint of trade," might become dangerous to the public welfare.

If a disinterested public body could acquire and hold such stores, as has sometimes been proposed by economists, the danger of exploitation of the consumers would be eliminated. But such action at the present time is without legal warrant and must be looked upon as politically impracticable.

"The kind of store which we require," says an English student of the problem,† "is one kept upon a mountain out of sight of the market by an omniscient Olympian, who shall regulate prices in time of boom in such a way as to keep the ravages of the investment-bacillus within bounds, and in time of depression in such a way that he neither gains nor loses at the expense of the rest of the community on the whole."

Price Manipulation

As distinct from the accumulation of stores of manufactured goods, there is the further possibility of keeping production at a level by regulation of prices with a view to encouraging consumption. This method has been resorted to, for instance, in the anthracite coal trade which, by lowering prices in the spring, has made use of the cellars of the consumers for storage during the summer months when consumption was at a low level. A more nearly balanced distribution of production over the whole year was thus made possible. Definite knowledge of changes in demand which occur with seasonal regularity enables the successful adoption of this policy. It is much more difficult, however, to devise a sales policy to meet fluctuations which are indefinite as to times of occurrence, irregular in their course, and of uncertain duration. The practical and legal difficulties of concerted action to regularize production by manipulating prices, added to the danger of monopolist extortion inseparable from such a policy, compel us to dismiss this suggestion as inexpedient.

We must recognize, before any radical remedy of fluctuations in employment is possible, that the problem does not lie with the producers alone but largely with the financiers and credit institutions of the country which,

* See, for instance, an account of the unsuccessful proposal for the formation of a holding and distributing company by the ironmasters of Cleveland, *Economic Journal*, September, 1915, p. 463.

† Dennis Holmes Robertson, "A Study of Industrial Fluctuations—An inquiry into the character and cause of the so-called cyclical movements of trade," P. S. King & Son, London, 1915.

as will be shown below (p. 28 *et seq.*), are able, by influencing the offer of currency and the prices of commodities, to accelerate and retard the industrial and commercial activity of the nation.

(2) Planning of Improvements and Extensions

Why They Are Not Made At Times Of Slackness

The use of slack times to carry out improvements and extensions has often been advocated as a suitable means for maintaining the interchange of services and credit, and the employment of labor. To a certain extent it does lie within the power of the individual manufacturer and of groups of industrial concerns, by doing this, to aid in the prevention of unemployment. There are, however, some good reasons why the advocacy of such a policy has met with so little success in the past. In the first place, the manufacturer, naturally, is more interested in his own employees than in others. His problem at a time of slackness is primarily that of keeping together his own working force without loss to himself. If, by working for stock, by engineering special sales campaigns, and exerting all his ingenuity in keeping open a market for his common products, he is partially successful, there will be little energy, credit and optimism left over to engage in additions to the physical equipment of the plant which, at such a time, must seem speculative.

If he has difficulty in securing at a reasonable rate of interest the capital necessary for the maintenance of production, it will be even more difficult to secure it for permanent improvements. If he invest much of his own capital in goods which cannot readily be disposed of, and which, therefore, absorb interest in storage, he will have more rather than less difficulty, compared with normal times, in finding the necessary sums for investment in capital improvements.

Railroads

Thus, even the richest corporations in their planning policy, so far as permanent improvements are concerned, follow the general trend. Railways increase their capital investments when they have had a good year and reduce them when earnings are low. When cargoes are not sufficient to maintain the existing fleet, a shipping company will not readily increase it; and shipbuilders in consequence are idle. New devices and machines, eagerly purchased by manufacturers when labor is difficult to get, are spurned as faddy innovations when old machines stand idle. Deliberately to plan improvements for times of depression rather than to undertake such improvements when increasing trade lends every encouragement to expansion is difficult for the individual industrial manager. We believe, however, that such a policy would be found financially practicable, as it is socially desirable, by such large corporations as railroads, which can look forward with security to continuing operation over a period of years. The compensating economic advantages to so established a business as a railroad,

of lower prices of materials and a more ample supply of labor would appear to outweigh any speculative risk which might be feared.* Successful experiments in this direction would go far to popularize this policy with less extensive industrial concerns.

(3) Short Time and Similar Devices

Experience of Last Unemployment Crisis

There remains, as a last expedient to prevent unemployment by the action of manufacturers, the methods generally practised for spreading such work as there is over as large a part of the working force as possible, rather than concentrate it upon a few and dismiss the rest. It is hardly necessary in these days to expatiate upon the economy, common sense and humanity of such an attempt. Such distribution of work, during the unemployment crisis of 1914-1915, was, as a matter of fact, by far the most potent influence in warding off distress. The Mayor's Committee addressed an earnest appeal to employers in the city to put employees on part time rather than reduce their working forces.

In some cases, this distribution took the form of alternating working shifts, either by the week or half the week, in others by early closing, reduction of working hours or closing from one to three days a week. In the brewing and other industries, special agreements were made between the employers' and workers' organizations to effect an arrangement under which a mutually convenient distribution of the work took place. In the building industry, four weeks after a personal appeal to the Employers' Association, it was reported that 2,400 more men were employed under special arrangements for part time work than would have been possible without it. In the printing trades, the unions themselves took action to withdraw members from their work for one day, and at times two days, in each week so as to lessen the number of those wholly unemployed.

In any future period of depressed trade and industrial slackness, undoubtedly part time employment again will have to play a prominent role as the most effective means of preventing unemployment when endeavors to steady production by controlling action higher up in the industrial hierarchy have failed. For this reason, it is worth while to examine a little more closely the several possible means of re-distributing employment so as to gain, if possible, a view of the respective merits of each.

Dangers and Difficulties

In the first place, it is important to remember that the dividing line between employment and unemployment is an exceedingly narrow one. It is possible by an excessive sub-division of available work to increase unemployment rather than decrease it. This is especially the case with low

* See "*Planning Public Expenditures to Compensate for Decreased Private Employment During Business Depressions*," address by John R. Shillady at the National Conference of Charities and Correction, Indianapolis, May 16th, 1916, for a discussion of this subject as related to public authorities and the railroads.

paid unskilled work, where at normal times the earnings of a full week only just suffice to support life. It is quite clear that there must be many circumstances under which employees cannot afford to share available work and others under which, while a certain distribution may be possible, a complete sharing would be disastrous to all the workers in a trade.

Again, in the face of an unfavorable market, it may be possible for an employer to carry on operations only under certain circumstances and on condition that work be concentrated upon his most efficient employees who, under pressure, will increase the output per man per hour above the normal. If confronted with the alternatives of sharing the work among all those who in good times looked to him for employment, and closing up altogether, he may be forced to adopt the latter.

On matters such as these, it is obviously impossible to set up rules which can or ought to be followed on every conceivable occasion. All we can postulate is that at times of depression when production must be decreased, the employer shall take into consideration his interests in the long run as well as his immediate interests; that, for instance, he shall make due allowance for the loss in efficiency, and, therefore, of potential output, which is likely to result from exposing part of his normal working force to inactivity, mental distress, and maybe starvation, over a period of weeks or months, or the loss from the instalment and training of a new working force when business improves, should the dismissed employees seek and find employment elsewhere.*

Further, we do not feel at all apologetic in adding to the appeal of self-interest, that of the public concern. Other considerations apart, it would seem to be the duty of a good citizen to prevent, if he can, the falling into unemployment and destitution of fellow-citizens for whom, as employer, he has even more than the average general responsibility and for whose support the community as a whole has to pay, both during unemployment and during the various forms of incapacity which so often are engendered by involuntary idleness over an extended period.

Reducing Working-Day

Nor is it possible to make any general recommendations, applicable to every case, as regards the various possible forms of work distribution. In most cases, a reduction in the number of daily working hours for the whole of the force or a part of it would be the most economical form of short time, because the employer would to a large extent be repaid for the loss from fixed over-head expense by the increase in efficiency, alertness, and good spirits resulting from the added time given to recreation and recuperation.

* There is no conformity of opinion on the cost of hiring and training new employees. This cost obviously must differ with different grades of labor, with the previous career of the employee—whether, for instance, he has previously been employed by the same firm or in the same occupation and how long ago—with the length of time over which it is necessary to supervise the employee and during which waste from bad workmanship, spoiling of material, undue wear of machinery, is likely to occur, and with the time required in different occupations to bring the output of the individual up to the normal. Mr. Magnus Alexander, in his well-known study on *"Hiring and Firing,"* estimates the total loss for each new employee at about \$8.50 for a laborer up to \$73.50 for a skilled machine operative.

Weekly Holidays

Closing the business on one day or half-day of each week in addition to usual holidays is another form of work distribution which is immediately beneficial to the employees and thereby indirectly to the output. Where, however, the material worked upon is very valuable or for other reasons continuous operations are necessary to keep down cost, and where at the same time the number of employees who would be out of work would be considerable if the employment within the normal working hours were reduced, the arrangement of alternating working shifts may be preferable to any other mode of part time.

Leave of Absence

More prolonged leaves of absence to employees, or furloughs, are only exceptionally the most desirable method. In the first place, periods of slackness which make part time arrangements necessary are more apt to occur in winter than in summer, so that a beneficial use of the vacation by the employees in wholesome recreation or travel is more difficult. Moreover, at a time of general anxiety, when positions generally are seen to be unstable, the psychological effect of being away from work for a week or two may be anything but enjoyable. Ideally, every worker should have at least a week or two of vacation during the summer time. Such a vacation would increase his efficiency and productivity and is in the interest of employers, even if it does take a day or two after his return to get the worker back into his former speed. But a vacation is a doubtful boon, especially to low-paid laborers who depend on their weekly earnings for their livelihood, if it must be taken without pay and without previous preparation for it, at a time of general anxiety, with no means of wholesome open-air recreation. In short, the conditions under which different industries, occupations and services are carried on make it impossible to prescribe or to advise alike for all employers.

Standing Trade Committees On Production Policy

We wish here to propose, in addition to the general considerations advanced, that employers' organizations in each industry, where they exist, create standing committees as their special contribution to a city-wide preparedness program against unemployment, to define and assist in securing agreement among employers in their respective industries of a contingent labor policy, which would be applicable to the special circumstances of each industry, industrially practicable and socially desirable. Such committees would, perhaps, be benefited in their deliberations by the employment of expert industrial counsel to bring to bear upon the problem the consecutive thought of men trained to a knowledge of each industry and of industry as a whole, as well as of particular establishments. It is suggested that the conclusions of the separate committees for the several industries be correlated, as far as is practicable, by cooperative action and joint agreement. Such correlation

might well be undertaken by some suitable agency of the city government, if such exists at the time, or by one of the larger general business organizations like the Chamber of Commerce or the Merchants' Association. In each industry in which the employees are members of trade unions, the labor policy to be agreed upon should, naturally, be a cooperative one, worked out in joint conference.

Public Representation On Trade Committees

While the adjustment of production to the condition of the labor market is so delicate an operation that those directly interested in an industry, whether as employers or as employees, must necessarily be responsible for the adoption of a wise policy, yet there is a danger that their action may be too exclusive or fragmentary, too little related to the problem as it affects the whole community. We believe that the time is ripe for the recognition of a wider public interest in the labor policy of industrial groups and that it can no longer be left to chance or to the personal idiosyncrasies of industrial and labor leaders whether such a policy is adopted or conforms to the public welfare. In another section of this report,* we recommend the establishment of a central clearing house of information and guidance. This proposed clearing house, because of its wide knowledge of employment conditions and community resources as a whole, could be of great assistance in advising as to the need for and application of the particular policy proposed to be adopted in any given industry. It might even suggest and help to work out a policy where an industry failed of its own accord to do so. As a public organ of acknowledged impartiality as between employers and employed, such a bureau could assist in smoothing out differences of opinion and at all times bring a wider social consideration to bear upon discussions relating to particular industries. This office, naturally, would have to be in the hands of persons thoroughly competent for the task of industrial counsel and known as trustworthy, so that individual employers and labor leaders would not hesitate to confer with such officials on matters of vital concern to them.

* See page 53.

III

ACTION BY FINANCIAL INSTITUTIONS AND PUBLIC AUTHORITIES

Power of big financial and business interests. How credit may be stabilized. Effect of Federal Reserve System.

Planning of public expenditures to compensate for decreased private employment during business depressions. Not to be confused with measures for "employing the unemployed." Public expenditures influenced by state of private trade. In New York City no consistent relation between expenditures on permanent improvements and state of trade. Advantages of undertaking public improvements at times of depression. Classification of necessary improvements according to urgency and in conformity with other considerations. The use of reserve funds for permanent improvements. Example of German cities and French endorsement.

(a) FINANCIAL AND CREDIT INSTITUTIONS

An Inquiry Among Financiers

As our search for a preventive program has advanced, we have been more and more driven to the conclusion that the measures which may suitably be advocated to consumers and to employers as their share in a community effort at stabilizing employment, are secondary in importance to the steadying effect upon cycles of trade prosperity and slackness which can be produced through the power of the big financial and business interests in the city and country, if they are so minded.

The Committee in the fall of 1916 addressed to a few leading business men and others interested in this subject an inquiry as to the possibility of a program of action which would be effective in steadying credit and practicable without difficult and controversial legal enactments, and which could be put into effect without cumbrous and costly administrative machinery. Such replies as have been received were not altogether encouraging.

"A stabilization of industry in this country," writes one of our informants, a prominent banker, "both in the interests of capital and labor, is needed, but this can be brought about only by wisdom on the part of the people and their political leaders. The unnecessary attacks on property rights, on the individuals engaged in conducting large enterprises and on the enterprises themselves are, in my judgment, one of the main causes of the more violent dislocations of industry and hence of the labor market. . . ."

"The other main cause is the excessive speculation, in the stock market, in the commodity market, and in real estate.

"As a proper amount of speculation is a stabilizer of industry and an excessive amount tends to instability, the impossibility of keeping speculation within wise limits by governmental action or otherwise is apparent."

"It would seem to me," writes a man well known in the real estate world, "that our greatest danger is from inflation in business to be followed by a sharp reaction,

depression and unemployment. Similar inflation in Wall Street is now very largely avoided by care on the part of the bankers who control the machinery of credit. It does not seem at all unlikely to me that a very similar control might be exercised by the banking community acting in concert to prevent inflation in business and thus prevent the crises which are sure to follow."

The same authority expressed, somewhat pessimistically, the view that a great crisis as a result of the present inflation of prices is unavoidable. With a continual increase in speculative buying in the anticipation of still further rising prices, stimulating over-production in certain lines, a flare-up, followed by a general business depression, is hardly avoidable unless checked in time.

Even more serious than a sudden fall in prices—which to some extent at least can be averted by one or other of the measures heretofore mentioned—or the accumulation of stock of manufactured articles for which there is no immediate market, is the excessive increase in machinery and equipment which results from over-speculation. In order to employ the capital invested, production on an abnormal scale is likely to continue in spite of an unfavorable market, severely aggravating and prolonging a tie-up which otherwise might be more quickly adjusted by a conservative policy on the part of the producers.*

Possible Effects of the War On Business Stability

There are a number of circumstances which make it impossible to foresee the results of present developments with any certainty. First, the present war with its unprecedented drain upon the resources of industrial rivals of the United States is a new factor, the effect of which upon production and credit in this country cannot be foretold. Second, for the first time, the United States, hitherto a borrower of industrial capital, has become a lender of capital on a vast scale. Third, the machinery of the Federal Reserve Bank, while not primarily designed to influence the current of cyclical trade fluctuations, may be brought into play in ways which it is difficult to foresee, and may have a powerful effect.

"The chief cause of credit collapse," an authority on this subject writes to us, "has been defective banking organization, and we have the right to expect that the Federal Reserve System will do much to prevent such disasters in the future. At the best, it will put us in the position long occupied by England, France and Germany, where credit is very effectively steadied by appropriate banking policy in the face of danger, or where the following unemployment seems to be less severe than it often becomes with us—if our statistics on the subject are trustworthy."

Federal Reserve System

Several of our informants seem to agree that the effectiveness of the Federal Reserve System in averting financial panics can only be tested in the

* "The important feature in the occurrence of crises and periods of depression is the increasing proportion of expenditures in preparation for increased production, manifesting itself in the formation and prosecution of new enterprises, and the building on a large scale, of railroads, ships and factories." (Theodore E. Burton, *"Financial Crises and Periods of Industrial and Commercial Depression,"* D. Appleton & Company, New York, 1902.)

fire of adversity. Yet, it is important to inquire, with such knowledge of the working of the Federal Reserve Act as we have, what part it is likely to play in future disturbances of credit. It offers, for the first time in the financial history of the United States, a means of checking abnormal fluctuations which lead from over-speculation to panic. It makes it possible to prevent, on the one hand, the accumulation of excessive reserves of gold in the hands of banks which must invest them in enterprise of doubtful security, and, on the other, a drainage of currency and abnormally high interest rates which stop all enterprise.

But an unusual situation, fraught with unprecedented danger to the stability of business, must be expected to arise in this country at the end of the present war. The way in which the Federal Reserve System can be employed to meet it, assisted by extraordinary exertions and foresight on the part of the banks and great business corporations, has been so ably explained by Mr. Paul M. Warburg, a member of the Federal Reserve Board,* that we take the liberty of quoting him at some length:

"While abnormal conditions have for the present destroyed the power of interest rates to direct the flow of gold, sooner or later normal laws of economics will again assert themselves, and we must then expect that, owing to the inflation of currency created in almost every country involved in the war, the demand for our gold will be very keen and determined. We may then have to part with very large sums of gold, but we must so direct our course as to be able to control this outflow and let it take place without creating disturbances in our own economic life.

"In order to avoid unfortunate developments, we must then first of all 'keep our powder dry'; that is, hold in reserve the essential strength of the Federal Reserve Banks, not only to be prepared for possible drain or emergency, but also, so far as practicable, to offer a check to inflation.

"Impatience by the public or by the Federal Reserve Banks themselves to show results quickly by large profits must not be permitted to lure us from a safe course. Strange as it may seem, the old words of Milton, when he said 'They also serve who only stand and wait' may be aptly applied to so modern an organization as the Federal Reserve System. To stand and wait is often the hardest of all duties requiring more courage than to follow one's impulse in 'letting go.'

"Second, we must greatly increase the degree of our control over our current gold supply by assembling, so far as practicable, the gold now wastefully carried in the pockets of the public, substituting for it our new elastic reserve notes.

"Third, we must take the utmost care not to destroy at this time the basis of our future lending power. Whatever foreign loans we may make during the war, ought to be of reasonably short maturity, so that we may keep control of our gold in case we should later wish to have it at our call.†

"That will give us a strategic position at the end of the war so strong that we shall be able effectively to face the various duties that will confront us, not only towards our own country, but also towards the world at large.

"Fourth, while short loans are advisable in dealing with foreign countries, this is the time for us to set our own house in order and arrange for the financing of our healthy home enterprises on a permanent basis. . . .

"I believe that it should be impressed upon all the banks that, rain or shine, they should under present conditions continue to keep their reserves far in excess of the present legal requirements. . . .

* Address before New York Credit Men's Association, January 25th, 1916.

† The reader will bear in mind that Mr. Warburg's remarks were made in January, 1916, and that this report itself is to be read in the light of the fact that no account has been taken of events beyond December, 1916, when the Committee disbanded.

"If a policy of general conservatism, such as I have outlined, can be systematically followed, thereby maintaining the strength of our banking position, we shall, in due course, reap our reward.

"I do not by any means intend to suggest undue restriction upon legitimate industries. I recommend, however, a careful discrimination between that portion of business and industry which is solid and permanent, and that which is of a purely ephemeral or a speculative character. The former should be advanced and fostered by every means in our power; and it is the duty of our bankers and of the Federal Reserve System to supply it with its due share of credit. There is no reason why the regular business of this country should view the future with alarm. . . .

"The case is quite different with those industries that are temporarily overstimulated by passing conditions, and are using their resources to extend their plants in order to cope with these extraordinary demands. Very possibly such plants, in many instances, are built from profits, and their owners may be well able to afford to 'scrap' them upon the arrival of peace. They will not, however, adopt so heroic a course, and we must, therefore, recognize in these investments, containing, as they do, possibilities of over-production, the seeds of grave danger. To those who are engaged in such industries, the banking and business community might well utter a word of warning. Let them use their profits, not in expanding beyond the limits of prudence, but rather in developing their existing facilities to the highest possible pitch of efficiency.

"Has not last year's experience shown us the excellent results that concerted effort can produce in dealing with problems of this kind? The educational campaign for a diversification of the crops which resulted in a largely reduced output of cotton in the fall of 1915, brought prosperity to the South, while another large cotton crop on top of that of 1914 might have proved fatal. May we not hope that we may be able to deal scientifically with questions of manufacture as well as those of agriculture?"

These suggestions, at once conservative and statesmanlike, are in the nature of a preparedness program, based upon cooperation of the various interests involved, which we would wish to endorse most cordially. It is the action which our banks and industrial leaders are taking now, and not the action which any emergency committee might decide upon at the time, which will determine whether there is to be much unemployment and great suffering on the conclusion of the war. We will, therefore, proceed upon the assumption that the severity of trade crises and depressions can and will eventually be reduced considerably by such measures as have been described. Nevertheless, unable to foresee the precise effect of Federal Reserve influence, we are forced to direct our attention as well to other means of reducing the violent fluctuations in employment and of mitigating their disastrous results.

(b) PUBLIC AUTHORITIES

Federal Expenditures On Permanent Improvements

Foremost among other means to steady employment, and advocated by practically every student of cyclical unemployment, are the efforts which can and should be made by our public authorities to counteract, as far as possible, the vagaries of private enterprise by a compensatory policy of constructive enterprise and purchase. The largest potentiality of such a policy rests with

the federal government which annually handles huge sums, expended on permanent works of one kind or another and upon other enterprises which vary in urgency and can, therefore, be subjected to a scheme under which more employment is furnished at times when private enterprise is slack and less when it is busy. This aspect of the subject has been treated in a paper read by the Secretary of this Committee at the 1916 National Conference of Charities and Correction, and which, in extended form, has been published by the Committee.*

Ten-Years' Program of Public Improvements

The proposal, briefly put, is that public expenditures on permanent improvements be planned on at least a ten years' program, the exact amount of such program undertaken in any given year to be determined with regard to the general state of employment, but without deviation otherwise from sound principles of public administration. In each normal year a certain variable percentage of this program would be set aside as a reserve to be added to the usual allotment in times when unemployment threatened to be abnormal. If approximately ten per cent of the annual expenditures on permanent improvements were so set aside, there would be available in years of business depression a potential employment reserve which would go far to offset the decreased employment offered by private employers.

Distinct from Relief Employment

This policy is sharply differentiated from that of "employing the unemployed" on relief works, which we do not advocate.

"It is not proposed," stated the Report of the Mayor's Committee on Unemployment for 1915, "that there shall be deviation from the regular procedure other than that involved in planning ahead and putting into effect the larger part of this program in years when it would have a steadying effect on general employment rather than in years when private employers are busily engaged."

Referring to the pamphlet above quoted for the general argument in favor of a consideration of the state of employment in the planning of public improvements, we now discuss the application of this policy to the city government.

Effects of Trade Fluctuations On City Expenditures

Fluctuations in the volume of municipal public employment are, theoretically, independent of trade fluctuations, being influenced by public necessity rather than by variations in cost either of public works or of borrowing, or by the general state of trade. But it has been frequently demonstrated in other cities, and can be demonstrated in New York, that the popular psychology which accompanies trade crises and depressions

* "*Planning Public Expenditures to Compensate for Decreased Private Employment During Business Depressions*," November, 1916. The interested reader is referred to this publication for continuity and completeness of the general argument, as well as for its application to the federal government and to a nationwide reduction of abnormal unemployment.

CITY OF NEW YORK

ALLOTMENTS FROM CORPORATE STOCK FOR MORE OR LESS PERMANENT IMPROVEMENTS, 1906-1915

	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915
Construction:—										
(a) Rapid Transit.....	\$750,000.00	\$1,442,500.00	\$5,012,500.00	\$2,837,755.00	\$5,988,260.00	\$10,416,772.85	\$11,599,895.26	\$15,437,748.10	\$22,777,150.42	\$27,561,946.03
(b) All Other.....	29,299,387.64	36,258,644.07	39,543,903.60	35,577,394.65	35,975,774.05	45,150,484.94	38,259,380.43	39,509,432.27	26,896,534.85	12,419,540.45
Equipment.....	7,160,711.18	13,404,830.11	15,580,137.85	10,317,799.00	10,162,910.41	16,887,784.93	6,409,338.99	7,086,117.79	6,190,277.84	4,824,279.82
Furniture and Fixtures.....	.....	84,997.59	96,738.80	219,826.60	135,844.01	227,429.71	197,100.00	150,868.38	99,845.85	44,515.63
Alterations and Improve- ments.....	1,570,300.00	3,638,964.50	1,928,850.00	1,402,985.00	2,126,863.40	2,741,834.18	1,899,050.06	.....	1,631,335.17	1,381,547.86
Repairs.....	11,233,333.15	9,894,115.49	14,695,734.07	12,248,675.08	8,920,085.80	4,632,628.39	4,411,993.39	11,391,924.53	3,790,253.46	3,029,981.42
Street and Park Improve- ments.....	2,309,966.00	2,049,143.01	2,475,199.16	1,193,899.00	859,624.34	1,367,854.82	1,329,842.95	909,230.00	1,190,227.55	560,225.00
Paving and Re - Paving Streets and Roads.....	3,643,775.22	3,890,655.52	3,828,383.30	3,874,743.26	4,238,485.34	4,237,778.88	6,247,546.45	5,995,050.00	4,021,885.05	1,700,250.00
Dock Fund.....	9,933,500.00	7,378,140.00	12,807,782.00	10,110,548.52	6,741,029.48	1,115,000.00	100,000.00	.....	.....	29,000.00
Monument and Memorials.....	7,170,343.53	12,376,829.06	5,385,636.02	5,923,485.28	8,807,116.78	10,637,801.93	9,309,988.05	10,835,118.57	2,959,677.67	6,209,803.25
Street and Park Openings.....	4,375,206.84	7,144,444.54	2,754,675.94	4,783,516.48	4,633,682.54	2,079,658.71	2,342,284.06	3,775,178.61	850,000.00	.....
Totals.....	\$46,446,517.56	\$97,503,266.89	\$104,107,540.74	\$88,490,627.87	\$88,589,676.15	\$99,495,029.34	\$82,106,369.64	\$97,254,553.25	\$70,397,187.86	\$57,761,089.46
Totals, Exclusive of Rapid Transit.....	\$45,696,517.56	\$96,060,766.89	\$99,095,040.74	\$85,652,872.87	\$82,601,410.15	\$99,078,256.49	\$70,506,474.38	\$81,816,805.15	\$57,620,037.44	\$50,199,143.43

and is to some extent responsible for them, also affects public authorities. At times of rising prosperity, a city is more likely to adopt far-seeing plans for future improvement and to take a generous view of public needs than at times of depression when a general lack of enterprise prevails. Public officials (though most of them are not themselves engaged or interested in business) are, nevertheless, effectively influenced by the prevalent atmosphere in business circles. Hence, other influences apart, one expects, because of this popular psychology, to find a slackening in public improvements during bad years and an acceleration in good years.

The fact that public officials are influenced in planning and authorizing public expenditures on permanent improvements by the popular psychology resulting from good or bad trade is obscured by the rapid succession of administrations with widely differing policies regarding public works. "Economy" administrations reduce appropriations for public improvements on the ground that preceding administrations have indulged in unwarranted extravagances. Improvements authorized by one administration are often delayed or abandoned by succeeding administrations. As a matter of fact, a study of the corporate stock allotments made from year to year by the city of New York shows that in a considerable number of cases long periods of time elapse between the date of authorization by the Board of Estimate and the actual commencement of the work. Sometimes, these postponements cover five, eight or even ten years.

New York City Corporate Stock Expenditures On Permanent Improvements

An examination of the expenditures of the city government on more or less permanent improvements for the ten years period 1906 to 1915* shows, as was to be expected, no consistent relation between such expenditures and the state of trade, though in 1908, a year of bad trade, the total expenditure rose some six and one-half millions above that of the previous year. In 1914, a year of depression, accentuated by a severe trade crisis in the fall, the total corporate stock allotments for such purposes, were much lower than any preceding year of the decade, except 1906. In 1915, when general trade conditions approached the normal only about the middle of the year, the total allotments for these purposes still further decreased below those for 1914 by more than twelve and one-half millions.

These variations in the amounts of municipal expenditure on more or less permanent improvements are due, of course, to other causes than the psychological effect upon public officials of general business conditions. Rarely, if ever, are they due to a desire to provide employment, except when undertaken, as has happened in some cities, as emergency measures, since the state of employment is not taken into account in planning such expenditures. We submit that, however well justified and in most cases inevitable are the fluctuations in the volume of private employment in good and bad years, no such justification and inevitability can be attributed

* Table—City of New York—Allotments for corporate stock for more or less permanent improvements, page 33.

to fluctuations in the volume of municipal expenditure. Private employers must sell their product; hence, there is a fixed limit to the amount of employment which can be advanced or retarded should such employers desire to increase the amount of employment offered in times of falling trade. More dependent upon the use of their capital, private employers likewise are limited in, though not wholly prohibited from, undertaking extensive improvements to plant during times of depression.*

Special Facilities and Difficulties of City Governments as Compared with Private Industry

City governments, on the contrary, in undertaking public improvements, need not be subject to like limitations upon the use of capital. In fact, they may find it more advantageous to undertake extensive improvements at times of depression as regards a favorable money market, a plentiful supply of labor, lowered cost of materials and the eagerness of contractors to enter into competition. Since the city is a continuing corporation with a population not likely to decrease within the life-time of an improvement, it can safely assume the continued public usefulness of such an improvement, if planned with ordinary care and forethought.

It may be said that all permanent city improvements can roughly be divided into those which must be carried out as soon as possible after authorization and those whose execution, after authorization, can be withheld for varying periods of time according to the degree of urgency in the need for them and in accordance with such planning as would prevent incurring loss of interest on improvements which could not immediately be put to use. In New York, the projects of the former class usually outweigh those of the latter, chiefly because the construction of urgently needed improvements has been retarded for decades, first by the extravagance of administrations, then by restricted borrowing power.

The Accumulation of Urgent Projects

While at any time there are many desirable improvements which can be delayed even though already authorized, the last few years have witnessed a constantly increasing accumulation of projects which are urgently needed in the interest of the public welfare and held back for financial reasons only. The danger is that in holding back such improvements in the effort to improve the financial condition of the city, other important public considerations may be overlooked or neglected.

That this is a real danger may be seen from the reply sent by Comptroller William A. Prendergast to a request for information by the American Association on Unemployment concerning the policy adopted by the employing departments of the city during the unemployment crisis of 1914-1915.

"We do not," says the Comptroller, "authorize funds to provide for bad seasons or bad years but to provide for necessary improvements. If the improvements are

* See pages 23-24.

necessary there is no excuse for delaying the work in the expectation that there will be a bad season or a bad year later on. We do not maintain a sinking fund to be used in starting emergency work when needed, and I think it would be very difficult to justify the establishment of such a fund. In my opinion, the officers of the City of New York should keep clearly in mind at all times the fact that they have a strictly public duty to perform and that it will be going beyond that duty and would amount to an abuse of their authority if they were to take money from over-burdened taxpayers and use it to provide employment for the unemployed."*

We quote from the Comptroller's letter to the Association on Unemployment because it affords an opportunity to correct some common misapprehensions regarding this subject and to clarify and emphasize some factors of public policy. It may be remarked in passing that the undertaking of authorized improvements during business depressions in accordance with the plan we have outlined, does not mean "starting emergency work" or providing "employment for the unemployed" in the accepted sense of these phrases, *i.e.*, relief works. If the improvements authorized are part of a ten years' program, adopted after due care, then they cannot properly be called emergency work, nor can the persons employed on such work be considered the "unemployed" except as persons who accept employment were a moment before unemployed. In fact, the workmen on such undertakings may be part of a contractor's gang and have gone from a completed job direct to their new employment.

The Demands of the Public Welfare a Consideration in Planning City Undertakings

In affirming that public officials "have a strictly public duty to perform and it will be going beyond that duty and would amount to an abuse of their authority if they were to take money from over-burdened tax-payers and use it to provide employment for the unemployed," the Comptroller undoubtedly had in mind the public duty resting upon such officers to appropriate funds and authorize expenditures only for such improvements as are in the public interest and as are actually required for the use of the public in accordance with accepted ideas of public policy. In this we, of course, heartily concur.

But, another, and we believe equally important, duty of the city and its public officers is likely to be overlooked, namely, that of protecting and conserving the public welfare by helping, if they can do so, to prevent widespread unemployment by any legitimate means within their power.

We believe that these duties are not mutually exclusive. To the argument that if the improvements are necessary there is no excuse for delaying the work for the purpose of providing employment later on, it may be replied that there are different degrees of necessity, so to speak. Any one familiar with the enormous variety of the city's needs must realize that among them there is the greatest possible diversity of urgency. The city is continually discriminating between various forms of expenditures, each

* "Unemployment Survey," American Labor Legislation Review, November, 1915.

of them declared to be necessary, but many of them postponed for financial or other reasons.

Furthermore, the proposal of advancing or retarding public improvements in accordance with the program we have outlined presupposes that the basis of selection of permanent improvements to be undertaken will be that of necessity, and that in the carrying out of these undertakings by far the largest proportion of such improvements will be undertaken immediately after authorization. There can, we think, be no reasonable objection to suitable financial arrangements that will make possible larger undertakings during times of abnormal unemployment.

A Test of Efficiency of Government

Finally, it may be said that a city administration is efficient to the extent to which it is able accurately to classify the different needs of the city in accordance with their relative importance to the public welfare and to plan public action with a view to supplying such needs in the order of their urgency. Once such a plan is made, it will be seen that in addition to permanent improvements which are so urgent that they must be carried out as soon as authorized, there are many others which, in the interest of economy and of the public welfare, should be put into operation in accordance: (1) with their respective urgency, (2) with a general scheme under which each would be carried out so as to become available for use the moment it was finished (to avoid waste from loss of interest on delays), (3) with the money rate and market cost of labor and materials, (4) with the state of the labor market and the rate of unemployment prevailing in the city. These are all legitimate considerations which should go into the planning of public improvements. If they do not enter and a mere rule of general negation is applied, the administration has failed to take account of all the factors making for efficiency in promoting the public welfare.

We particularly desire to point out that we do not claim precedence of employment considerations over the others just mentioned; a statesmanlike policy must include them all.

German and French City Precedents

The policy, herein suggested, has been adopted with conspicuous success by many German cities which, at times of depression, have reserve appropriations to draw upon in extending the volume of public enterprise without having to increase taxes at a time when they are most difficult to bear. Whether all such balances of unexpended appropriations are collected in a general fund or whether they are individually placed in separate funds for specific objects, seems to be largely a question of bookkeeping.

The method adopted by the German cities of creating separate reserve funds for specific purposes, such as a school building fund, a road-making fund, a fund for re-decoration of public buildings, etc., would seem preferable to the creation of a general fund, even assuming the latter were legally permissible which, in New York, apparently it is not. The separate accumu-

lation of funds for specific objects earmarked for allotment, given certain conditions of the labor market, would have a general educational effect on the planning of public improvements generally and on the taxpayers' demands which would be exceedingly useful. Instead of a hand-to-mouth policy in repairs, alterations, etc., for instance, the city would gradually enter a proper business system of planning ahead these necessary expenditures, taking in turn and in its proper order, each necessary object of expenditure. At present, too frequently, those boroughs or neighborhoods are able to secure appropriations which can raise the greatest outcry against neglect, while others, less vociferous perhaps, because lacking equally strong political organization, are apt to be left behind. Under a proper system of planning, the permanent improvements of the city would be carried on systematically according to a plan continually brought up-to-date as the needs of the city require but always years ahead of the possibility of carrying out the last project on the list and entirely independent of any popular clamor, political pressure, or other extraneous influences.

How German and French cities regard the general method proposed may be gathered from the following two quotations:

"Since some of the socially most advanced communities have recognized the fact that relief works have only a limited share of usefulness in the treatment of unemployment and its consequences and, moreover, were in the interests exclusively of seasonal and unskilled laborers, it naturally followed that they asked themselves how added employment might be created for qualified workers. It was soon recognized that a shifting of employment to a period of depression was not only the most suitable means of satisfying the claims and desires of the skilled workers and artisans, but that financially this system was far preferable to relief works in point of cost. As this recognition deepened, the importance in which relief works had been held went quite into the background compared with the attention given to a suitably organized distribution of all public works."*

"More effective than other measures proposed would seem to be understandings between the different public authorities concerning a common program for giving out their orders and organizing their public works. By this means they avoid an overburdening of the market at times of prosperity and, on the contrary, furnish useful employment during a crisis.

". . . The understanding between the state, the departments (counties) and communes (municipalities) which followed the intervention of Mr. Vaillant before the Chamber in 1900, has for several years permitted a regularization in the planning of great public works which has proved the happy effect of some such organization."†

* Dr. August Baab, "*Zur Frage der Arbeitslosenversicherung, der Arbeitsvermittlung und der Arbeitsbeschaffung*," Leipzig, 1911.

† A. de Lavergne and L. Paul Henry, "*Le Chomage*," Paris, 1910.

IV

THE EMERGENCY PROBLEM

Emergency problem differs from normal problem of unemployment. Difference in magnitude makes for difference in character. Illustrations. New problems arise. Illustrations. Difference in psychology. Classification of unemployed according to definition given. Those never regularly employed at permanent work. Casual workers in skilled and semi-skilled occupations. Seasonal workers. Unemployed minors. Regularly employed workmen thrown out of work through slackness. Persons, usually dependent on wage-earners or of independent means forced to earn their livelihood. Principal relief measures appropriate to these different classes. All cannot be properly helped in the same way. Classification insures prompter, more adequate and more economical relief of suffering. Evils of summary charity.

(a) THE EMERGENCY PROBLEM GENERALLY

Its Difference from Normal Relief Problem

In the course of the investigations made by the Committee in the preparation of the present report, the contention has repeatedly been made that the problem of unemployment at a period of general depression is exactly the same as at normal times, only of greater dimension, and that, therefore, no remedial steps need be recommended which would not also be desirable to mitigate the evil of unemployment at other times. To this view we cannot subscribe, for two reasons:

Difference in Magnitude

The difference in magnitude makes the problem a different one also in character. Let us assume, for the sake of illustration, that in a normal week through different agencies in the city, one hundred married women apply for work, though unprepared for it by training or previous experience. With a little organization and energy, it should be possible to place all these women in domestic work of different kinds—cleaning, sewing, housekeeping, laundering and the like. But, assuming at a time of general depression this number were to rise in a similar week to one thousand applicants for that kind of employment. The same organization, enlarged, could not achieve the same results because there would not be enough jobs of that class to go round; and a new method of relieving the want of these women would have to be found, either by alternative forms of employment or by other means.

For another illustration, the problem of the unemployed, homeless girl might be taken. At normal times, the combined energies of the agencies which interest themselves in unattached young women probably suffice to place all who are in need of this service in suitable homes of one kind or another, as well as to find work for them. At a time of general shutting down

of factories, thousands of girls are no longer able to pay for their lodging; and for those who have no other resources, a problem of homelessness arises with which organization on the usual lines, even if increased, may be quite insufficient to deal. Indeed, the services rendered by these agencies may not only be insufficient but unsuitable, since a different type of "relief case" has been created by abnormal unemployment.

Or take the case of the casual worker. At normal times, thousands lead a precarious existence through inability to secure enough jobs. Their average weekly earnings, if those of good and bad weeks were evened out by thrift, which, as a matter of fact, they rarely are, would not come up to the minimum necessary for the maintenance of a satisfactory home life. During abnormal times, such as the winter of 1914-1915, tens of thousands are deprived of every means of securing a livelihood; and not even privation enables them to keep a home together. The problem for the individual person may be the same or similar; but, socially, the enormity of the problem introduces a new phase requiring new treatment.

New Problems Arise

Classes of workers who normally are much sought for because of the comparative scarcity of their skill, as times of a general business standstill fall out of work and have no means of securing other employment. An influx into the city of large numbers of unemployed workmen from other parts of state and country is characteristic of such periods. These work-seekers are by no means all industrial failures or of the down-and-out type. They come to New York because they feel that opportunities for picking up a job outside their own trade may be greater here than in their home locality. The more specialized their calling, the more apt they are to seek for a new position, when in need of it, not in their home town, but in the great metropolis.

Unemployed artisans, during normal times, may be able to maintain their self-respect and to keep the home together; during abnormal times, they are not only more severely handicapped in their search for work, but usual channels of credit and neighborly aid are cut off in the general distress and panic.

Or take the case of unemployed office workers. At normal times, it is the least efficient and least equipped who are found in the ranks of the unemployed. As we write this report, the greater number of those unemployed workers, in fact all, would be quickly absorbed if their training and experience, and their general suitability for such employment were greater. Their unemployment is largely due to personal causes. At times of general depression, on the other hand, office workers who are fully competent are thrown out of work and unable to secure other positions. An increase of educational facilities would offer no solution at all of their problem.

Again, trade union out-of-work benefit funds, one of the normal resources of members during short spells of unemployment, may be totally inadequate to cope with the need of unemployed members in abnormal times. Several large unions maintaining such funds have had to suspend payment

or reduce benefits; and they are always unable to pay out enough, in the case of large families, to prevent distress from arising when unemployment of the chief bread-winner is prolonged. A general run on savings banks, at such times, is apt to bring about their sudden failure and to rob thousands of thrifty families of their last resource. Most important of all, perhaps, the sympathy and help given to unemployed wage-earners in normal times by relatives, friends and neighbors, and the credit given by small store-keepers, become so diffused that these resources no longer remain assets upon which the individual can rely.

Wide-spread unemployment not only presents a different relief problem from normal unemployment, it also changes the psychology both of the work-seeker and the work-giver. The former is apt to become more gloomy, morose, or rebellious; the latter more self-important and patronizing and more likely to offer unreasonable terms of employment.

The personal causes of unemployment, prominent at normal times, sink more into the background when whole factories are shut down and the efficient and thrifty workman finds himself in the street alongside the inefficient and the "bum."

Suffice it, then, to affirm that at times of abnormal unemployment we have to deal with a problem which is different from the normal one not only in magnitude but also in character.

This difference in character will be still clearer when we consider the different types of persons falling into distress through abnormal unemployment whom any complete preparedness program for such an emergency must include.

(b) CLASSIFICATION OF UNEMPLOYED

Although our definition* leaves out those unable to procure unemployment through illness, physical or mental infirmity, old age, and other handicaps, and those unwilling to work, we still include so large a variety of work-seekers that some rough classification would seem imperative to enable us to arrive at a remedial policy fitted to their particular needs.

(1) **Casual laborers** constitute the largest group of those who, never regularly employed at permanent work and unable to provide for a rainy day out of their meagre and irregular earnings, fall into dire distress at any time of severe depression, whether extending over a few weeks or several months. It is this class, more especially, which applies for relief through the recognized channels, which fills the municipal lodging house, and extends the bread-lines. Distinct from the "work-shy," in so far as they are only too anxious to obtain a "job," the majority of this class are no more willing than they are capable of performing regular service over an extended period.

From the mere employment point of view, this group has a twofold advantage over others: It is composed of men who are accustomed to live from hand to mouth and to take any job that happens to come along. Though without or with very little skill, they are, by their varied experience, able

* See page 10.

to turn to a greater variety of possible opportunities than men who have been working at one trade or have long been in permanent positions. They are, therefore, more likely to secure such temporary jobs as there are, more especially since they are accustomed to low earnings and have no standards to maintain either of working conditions or of home life.

Since they have no means of self-help, men of this group will have to be provided for in our program by some form of assistance; either in the form of relief employment or of charitable aid.

(2) **Casual skilled and semi-skilled workers** tend to swell to large numbers in bad times. They are "casual" in so far as their method of employment is concerned, but look to one trade, sometimes to one employer or a small circle of employers, for their intermittent work. Many members of this group are respectable and well-paid men, members of trade unions and other self-governing organizations, with a standard of life which, though necessarily irregular, is on a considerably higher level than that of the type previously considered. The greater part of the building trades, the better class of longshoremen—those more or less attached to particular piers—porters and truckmen in large industrial groups, belong to this class. It is naturally more selective in the jobs it will take and the conditions of employment it will accept and, therefore, a little more difficult to place in bad times than the men who find no work below their dignity and will accept any wage for their living.

Many of those in this group, though always somewhat precarious in their earnings, are able to make some provision for periods of unemployment; their preparedness program for hard times, therefore, must include both Self-Help, through

- i trade union out-of-work benefit schemes;
- ii mutual benefit schemes of a fraternal kind;
- iii credit union schemes;
- iv savings banks and other forms of thrift;
- v loans on a commercial basis;

and Assistance by

- i assisted loans;
- ii assisted credit;
- iii when these sources are exhausted, relief employment, or, as a last expedient, charitable aid.

(3) **Seasonal workers** who expect to be out of work or to work short time during a portion of the year, but whose unemployment, in abnormal times, may be more frequent, longer in duration, affecting larger numbers, or give less opportunities for working short time than in normal times, constitute a considerable number. These workers, during a bad year, are apt also to lose secondary resources upon which normally they rely to support them wholly or in part during the season of slackness and unemployment. While the first two groups are composed chiefly and almost entirely of adult men, the last contains at least an equal number of women and large numbers of boys and girls.

We must assume that their ordinary resources of self-help are exhausted with the ordinary period or amount of unemployment, since the majority belong to badly paid occupations. The emergency problem, during a time of crisis or exceptional trade depression, consists in the need for supplementing their ordinary resources. This task is complicated by the fact that even in normal years the possibilities of self-help provision are as yet by no means utilized to their fullest extent. Trade union unemployment benefits, among this group, are practically non-existent; credit unions, in a small section of the group, are only just beginning to be organized; fraternal benefit funds are too soon depleted, and thrift is unorganized and often ill-directed. When loans and credit by landlords and retail tradesmen play so large a part in the normal method of tiding over the annual seasons of unemployment or slack work, they can hardly be looked to as suitable emergency relief measures at times when far larger numbers of seasonal workers are out of employment and these for longer periods than usual.

While for a large number of the better paid seasonal workers, it is no doubt possible to organize more effectually and substantially the different resources just named, and thereby to make more ample provision for bad years, it is probable that in a serious crisis, or prolonged depression a large number will have to be counted among those who must be assisted by emergency measures. Their adaptability, since the majority are highly specialized factory workers, is considerably less than that of unskilled casual workers who are accustomed to turn in succession from one kind of job to another. The problem of relief employment for this group, therefore, is a more difficult one. Yet, the majority of these workers would prefer to suffer great privation rather than accept charity pure and simple; and in the interest of their health and that of their children, no less than that of preventing pauperization, it is essential to assist as largely as possible through relief employment when all sources of credit and self-help have either been exhausted or when these through previous neglect have been non-existent at the time of crisis.

(4) **Youths and girls** who either are unable to find work on leaving school (and who, owing to the economic pressure on the home during a time of bad trade are apt to seek for work at an earlier age than they otherwise would) or are thrown out of work through the slackness of trade, deserve special consideration. A large number of the seasonal workers of New York are young people, under twenty. The other groups also contain many youthful workers, and their number is augmented in a time of abnormal unemployment by those who normally would continue their education or in the case of girls stay at home. The existence of this large group of unemployed workers is one of the strongest arguments for rejecting the advice of those who would treat alike all who apply for help so long as they need help—well meant though that advice might be. The unemployed lad, fresh from school, must not be thrown into the company of hardened casual workers in undifferentiated emergency workshops. He must, of course, be protected from the degrading necessity of having to ask for alms or to resort to bread-lines. He must be protected

also from the necessity of accepting work unsuitable to his physical or mental equipment and to the career upon which he has started out. Above all, his home life must be preserved.

Too often, at times of general unemployment, lacking suitable and sympathetic individual guidance, and distressed by the fact that instead of being a help to their parents they have become a burden, young people will drift into habits of casual work, detrimental to their career and to their moral welfare. This must be prevented at all cost.

The relief assistance for this group—which obviously cannot provide for a rainy day by methods of self-help—must under all circumstances be protective as well as financial. If at all possible, it should be educational. The “scholarship” assistance granted unemployed girls who entered the commercial and trade training classes in New York in 1914–1915 (which will be more fully referred to below)* though tentative and too limited in scope, may be cited as showing a promising line upon which the solution of this special problem may be sought.

(5) **Regular workmen in permanent employment**, thrown out of work through slackness and unable to secure other work suitable to their capacities under reasonable conditions, are a fifth class in our analysis.

The measures necessary to mitigate the unemployment of this group are much the same as those enumerated for the first two groups. For, though their unemployment takes more or less the same course and proceeds from the same causes, we must, corresponding to groups (1) and (2), distinguish between

I Those who, though usually in regular employment, are too poor to make any provision for themselves, but who are comparatively easy to place because they are not too particular in the work or terms of employment which they are willing to accept, and who, not being skilled at any particular trade, are adaptable to a variety of possible jobs; and

II Men who are skilled, and are able, if so willing, to make some provision against unemployment, who are more conscious of their dignity, and to a large extent represent the “aristocracy” of labor.

So far as this latter section is concerned, self-help in all but the lowest paid branches ought, theoretically, to be amply sufficient to tide over the difficult period. Unfortunately, provision for it is not made in any organized manner by more than a small fraction of these workers. And even individual thrift which provides for the future by general saving and the acquisition of property which in an emergency can be sold, mortgaged, or pawned, is anything but general. There is need in New York for a vigorous educational propaganda for organized thrift, insurance and organized mutual aid.

A good deal of out of work aid was given by unions during the crisis of 1914–1915; but the existence of actuarially sound, extensive out of work benefit schemes is as yet the exception rather than the rule. Fraternal benefit schemes and credit unions also might be encouraged as possible means of self and mutual help by those who cannot or will not organize

* See page 118; see also Report of Mayor's Committee on Unemployment, January, 1916, page 151.

on trade lines, though an insurance scheme under which provision for an emergency is made in advance would always seem preferable to a credit scheme under which thrift becomes compulsory after the receipt of the benefit. The merits of different modes of self-help provision against unemployment will be further considered below.

For the man who is normally in regular work the importance of loan facilities is even greater than for the best type of irregular worker for which they were advanced above as a possible means of assistance; though, obviously, it ranks below that of purely self-help measures. The great majority, having until recently been engaged in regular work, can be relied upon to find permanent employment again within a measurable distance of time and can, therefore, in most cases, be entrusted with loans of sufficient size to prevent the break-up of the home, the forcing of young children or overworked women into work, or the acceptance of wages and conditions of employment which are lowering to social status and self-esteem.

All forms of relief, including relief employment, are avoidable, with the majority of the men normally in regular employment, if a strong educational movement for mutual insurance and thrift organization is set on foot in time. If assistance is needed, it may well first take the form of loans, then of relief employment, and only last of other forms of charitable aid.

(6) **Non-wage earners in normal times**, those usually of independent means, self-employing, or the dependents of wage-earners who, during a time of abnormal unemployment, are deprived of their usual resources, and thrown on the labor market by necessity, present peculiar difficulties. The size of this group varies with the severity of the crisis or depression, its duration, and the extent to which wage-earners have succeeded in obtaining relief during unemployment. When, for instance, men draw union out of work pay or secure relief employment at a wage sufficient to support a home, their dependents and also tradesmen, peddlers and others supported by their spendings have less need to seek employment.

In so far as this group, unable to find such indirect relief, still ranks among the unemployed in accordance with our definition, a further differentiation is necessary before an adequate emergency policy can be evolved on their behalf. We shall have to distinguish between

- i Those who have been wage-earners but have for some time supported themselves by some other occupation, as independent business men, peddlers and the like;
- ii Wives and other female dependents of wage-earners who previously to such dependence were engaged in wage-earning occupations;
- iii Men and women who never have been wage-earners;
- iv Those retired who, in a period of stress, lose their rents, pensions or other incomes and investments upon which they usually live.

Some of those in section i. have no resources at all; they are worse off than unemployed wage-earners, since they have often taken to the lesser branches of retail trade as an easier means of making a living than any wage-earning occupation for which they would be eligible. In bad times,

they are apt to be stranded entirely without resource. We believe this group is an unnecessarily large one, and suggest that, as a preventive measure against the necessity for its relief in trade crises and times of depression, every effort should be made to reduce its size by a better education, industrial training, and distribution of immigrants.*

As to section ii., principally women who have been engaged in work previous to marriage, they, of course, re-enter the labor market at a time when their chance of employment is exceedingly poor, and when their employment would mean throwing out of work those normally engaged in similar wage-earning occupations. Under a good industrial system, many of these women would, perhaps, constitute a reserve to be called into industry during times of exceptional pressure when they could earn good wages. But the entry of these women into the labor market when it is seriously overcrowded, is a menace to the maintenance of proper standards of remuneration and working conditions.

Therefore, for practical purposes, the methods of relief appropriate for married women and others usually supported by other members of their family are the same whether they have been previously wage-earners or not. There is only this difference,—that the former are more likely to profit from relief employment if they have, within recent years, undergone the discipline of industrial employment. In the great majority of cases, however, the proper method of relieving those in distress through the unemployment of normally wage-earning members of their family, is not influenced by the question whether they apply for work or not. They are best helped through those on whom they normally depend for their living, be they husbands, fathers or sons, and, if direct aid be necessary, through charitable relief, loans and the like.

Section iv., those retired from wage-earning occupations, should, for the same reasons as those just advanced for the previous section, not be permitted as a rule to re-enter the ranks of workseekers at a time of general and pronounced unemployment.

For the group as a whole, provision against such an emergency as here contemplated will require, first of all, a proper organization of credit resources. There should be no need to maintain from relief funds families or persons who can be expected, as trade revives, to regain their old resources or livelihood. It is a nice point to decide how far it is wise and expedient to allow such groups of persons as those here described to fall into indebtedness instead of relieving their need by outright gift. Where they lose all they have without a visible chance of recovery, it would, obviously, be inhumane to give relief in such a way as to have the disgrace and worry of debt hang perpetually over their heads. But there can be

* New York's large population of retail peddlers has been artificially increased, during the crisis of 1914-1915, by the registration of large additional numbers, with a view to increasing competition in the sale of food, and, therethrough, reducing the cost of living. We would venture to suggest that as a remedy of monopoly—assuming such to have existed—the creation of a large class of ignorant, half-starved retail vendors, unaccustomed to American standards of cleanliness, sanitation, business ethics and domestic comforts, was about the most short-sighted policy any community could have dropped upon. By extending its licenses for street trading, the city has deliberately created for itself a huge social problem.

no doubt that many have definite assets in personal and social relationships which can be relied upon to be realizable as times improve.

A great amount of indebtedness during abnormal unemployment is unavoidable; and it is clear that the social organizers in the community should aim at such thorough and effective provision of approved instrumentalities for credit as to prevent the exploitation or complete discouragement and pauperization of the people who are forced into debt in hard times. Very often the trouble which leads them to seek for work, thereby entering the ranks of the unemployed, is not so much that no provision has been made but that too many eggs have been put into one basket, and that basket sometimes rather a weak one. Thus, when a small bank fails, as happened in several instances in 1914-1915,* some of those whom we have included in this group lose all they own. The same thing is apt to happen when all their investment is in house property occupied by wage-earners, paying well in normal times, but falling into arrears during bad times.

Only a few of the persons in this group will be suitable applicants for relief employment. Even when physically able to work for her living and the support of her family, even when equipped with previous experience, a woman with domestic responsibilities, for instance, in the majority of circumstances, is far better relieved by one of the other methods suggested, or, if possible, through the relief employment of members of the family who normally are the breadwinners. The great majority of the members of this group can be protected or can protect themselves against the worst forms of distress at times of trade depression by foresight and thrift; some should be transferred from the trading to the productive classes by suitable training and opportunities; many should be prevented from becoming "unemployed" by relieving them of the necessity of self-support; many can be assisted by suitable credit or loan arrangements; and some—when all has been said and done—will have to be given charitable aid.

Classification a Proof of Difference in Relief Needs

It should be obvious from a mere enumeration of the different groups of "unemployed" with their sub-sections, such as we have here attempted, that they cannot be properly helped in the same way; that they cannot employ the same methods of self-help to provide against the risk of unemployment; and that, in fact, the emergency problem (when the industrial problem of hard times has transformed itself into such) consists of a series of distinct social "case" and "group" problems requiring for their solution infinite patience, consideration, tact and resourcefulness. A more or less systematic classification at a time of crisis would seem a first necessity, if even the most simple problems of relief are to be solved intelligently and economically.

Here we meet at once with the objection of so-called practical persons that at a time of emergency it is impossible to draw fine distinctions. Indeed, there were agencies in this city which during the winter of 1914-1915

* The class of bank referred to is now under the supervision of the State Banking Department.

made it a matter of principle not to inquire into the antecedents or circumstances of any person applying for help. At first glance, something is to be said for the fine humanitarian spirit behind this attitude. But we believe that those who would relieve all alike according to some general, preconceived plan, not concerning themselves with their capacity for self-help and their domestic responsibilities, are mistaken in their view that thus alone can help be rendered immediately and without offence to the recipient. The experience of the more mature administrators of relief seems to indicate rather that such wholesale aid which does not allow of variation in kind and amount of assistance with the various needs of the beneficiaries is not only wasteful, but also ineffective, slow rather than quick, humiliating rather than stimulating. It misses its very object.

Hit and Miss Methods of Relief

Lest the reader may consider it superfluous to argue this point, it is important to point out that during the last period of abnormal unemployment in New York it was common to find in the same bread-line, in the same workshop for emergency employment, at the same work and receiving the same wage, in the same municipal lodging house, men over sixty and immature boys of eighteen, those with only themselves to look after and those with large families of young children, "hoboes" and men who had, after many years of regular employment, lost their work only a short time before. Such an indiscriminate charity does not protect the self-respect of the recipient, as is often claimed by those who advocate it, but must in many cases undermine it.

It may be necessary, in extreme circumstances, when a man is hungry, first of all to feed him in a line with others before asking many questions. The degrading publicity of the "bread-line" type of relief can be justified only in emergencies in which the whole working population is without resources, such as occurs during disaster due to devastating fires, floods, etc., or as exemplified in the case of the Belgian civil population during the present war. Any well organized community can do better than provide this crude and demoralizing method of feeding the unemployed. If a man's need is to be met in such a way that he and his family are tided over a period of stress without serious physical or moral hurt, then it is necessary to find out exactly what he can do for himself and what is the most helpful thing to do for him. Through such classification and discrimination, and only thus, will the main forms of desirable preventive and remedial measures suggest themselves.

Committee's Recommendation

The Committee, then, submits as its first recommendation in connection with this emergency program, that no matter how severe the unemployment crisis, a sincere effort should be made by the public authorities and by the private agencies primarily responsible for its relief to classify those in need in some way not inconsistent with rapidity of action, so as to determine what kind of

relief the individual is most in need of or which is most likely to be appropriate to his or her capacity for self-help, possession of resources, station in life, family responsibilities, age, health, sex, etc. How such a classification can best be carried out in practice and with some attempt at uniformity for the city as a whole, will be further discussed below (p. 77 *et seq.*).

With such a classification carefully drawn up, it will be possible to map out in detail a plan of emergency measures covering the whole ground which will meet effectively every phase of the problem by some appropriate measure, while preserving the coordination of the whole. These different measures will be further discussed below.* Here we must content ourselves with enumerating the lines of action suggested by the classification of the unemployed which will or may have to play some part in the complete plan:

I. SELF AND MUTUAL HELP

- 1 Trade Union Out of Work Benefit Funds.
- 2 Organized Thrift.
- 3 Mutual Credit Organization.
- 4 (Possibly Cooperative Emergency Employment).

II. OUTSIDE ASSISTANCE

- 1 Loan and Credit Organization.
- 2 Relief Employment.
- 3 Maintenance Under Training.
- 4 Charitable Relief.
 - a Financial.
 - b Food.
 - c Clothing.
 - d Shelter.

In Chapters VI to XII each of these possible means will be considered in further detail, with regard to its bearing upon the relief problem as a whole and to the best methods of securing efficiency, economy, rapidity and humanity in its administration.

* See page 77, *et seq.*

V

RESPONSIBILITY OF PUBLIC AUTHORITIES AND OF ORGANIZED PHILANTHROPY

Responsibility for relief. Regardless of legal status the public holds city authorities responsible in an emergency for mitigating suffering. Municipal action during last crisis. If foreseen, responsibility may partly be delegated.

Objections to centralized relief. Lack of public agency charged with ascertaining adequacy of relief resources. Possible establishment of a public welfare department. Need for a bureau of information on city's relief agencies. Example of Red Cross organization.

How to discourage injudicious forms of relief. Expansion of existing sources of aid the end to aim for at times of emergency rather than creation of new ones. Views of relief experts.

Need for better machinery to direct applicants to agencies best able to help them. Objections to a central bureau of applications. Help to neighborhood workers, churches, teachers, trade unions, the police, etc., in obtaining knowledge for best advising applicants.

Functions of an emergency clearing house. To act as link between social agencies, to keep city government informed of state of employment and need for relief measures, to direct stream of private benevolence.

Public Responsibility

Before we can proceed to a discussion of detailed forms of emergency relief or arrive at a sound judgment as to the practicability of some of them, it is important to discover who really is responsible for relief of this kind in the city of New York. It is not a question which can be answered off-hand. Neither state nor city have ever formally accepted such a responsibility, nor have they by their action expressed any implied recognition of it. On the other hand, whenever there is an emergency situation in the city, a calamity affecting thousands of homes, for which no preparation, public or private, has been made or is adequate, it is, naturally, to the city government that the people turn in their fear and distress; it is, naturally, to it that the benevolent look for guidance in the work of philanthropic aid; it is, naturally, to it that state and federal government look for action designed to maintain order and to prevent disease, vagrancy and crime.

Thus, a city administration cannot entrench itself behind statutes and precedents. It is obliged to take cognizance of the emergency which has arisen and to take action which will avert calamity or mitigate it when it is too late for preventive effort.

Response of City Governments During Last Crisis

During the last unemployment crisis, at least twenty-four cities appointed "Mayor's Committees" or joint committees of public officials and private citizens. Only one state appointed a State Committee (the "Massachusetts

Committee to Promote Work"). Deputation after deputation of unemployed workmen called upon the mayors in scores of cities, demanding public action to provide the unemployed with work. Unwillingly more often than with eagerness, the city administrations in one form or another recognized the claim made upon them by citizens. The appointment of unemployment committees was only one form of this recognition. Public employment bureaus were opened during this time in many cities; the police organization was used for the administration of certain forms of relief, the schools for others. The working programs of many labor employing departments were revised and work was advanced.*

Planning of Resources a Public Responsibility

Without going into any lengthy discussion of the legal points involved, it is important to note that the legal obligation on the part of an elected body at a time of general consternation cannot be regarded as a satisfactory basis upon which to proceed with the planning of an emergency program. For, legal statutes can be amended and, to a certain extent, may even be disregarded under the pressure of events. What matters more, since no reference to existing laws or appeals to logic can overcome it, is the persistent demand of the citizens at such a time that the city government shall be active on their behalf, not merely as regards the regular organs of municipal activity, but as regards the emergency as a whole.

We are inclined for this very reason to believe that it is far better for the city administration to recognize responsibility and to prepare a plan of action in advance than to wait until the clamor of public opinion, or maybe indignation, forces its hands and, lacking previous deliberation and preparation, obliges it to take panic measures, ill-adjusted to the actual needs, ill-administered, costly and destructive of other forces in the community which make for mitigation of the distress which has arisen. Moreover, it is only by previous planning that the city administration can effectively limit its responsibility. If no plans are made, the responsibility must eventually fall upon the city with even greater weight.

Responsibility for dealing with the unforeseen emergency must, for the reason which we have just stated, invariably fall upon the city government. Its reduction to a minimum, therefore, is a problem of practical statesmanship. For, there is no reason why a responsibility foreseen and prepared for should not be shared by the city government with other agencies of community organization.

In our program, therefore, we shall do well to distinguish remedial machinery in permanent operation as an insurance against the risk of abnormal unemployment from emergency relief proper. There is no reason why the responsibility for the first should not be a divided one; responsibility for the latter, in the final analysis, invariably falls upon the city government which alone, acting on behalf of the whole community, can deal with a

* For a detailed account of the measures taken to stem and mitigate unemployment, see "*Unemployment Survey, 1914-1915*," American Labor Legislation Review, November, 1915.

situation which was not foreseen and to meet which no preparation has been made.

Acceptance of responsibility does not necessarily mean that the somewhat unwieldy machinery of city administration itself must invariably be brought into play. In the emergency measures as well as those which are prepared before-hand, it is possible for the city government to delegate duties so long as it sees to it that they are fulfilled. It must be admitted that city governments are not at present well equipped for the delicate and specialized tasks which we are considering. On the other hand, there are no inherent obstacles to the city government's successful prosecution of more extended social welfare programs. Indeed, there are many excellent reasons which could be given for a more extensive municipal participation in such programs, if the scope of this report permitted us to enter into this larger field of public policy. City government, it must be remembered, is a flexible function of organized society dependent upon the underlying political and social philosophy at any given period.

Objections to Central Relief Organization

Representatives of the leading relief organizations whom we have consulted expressed themselves as unanimously opposed to the creation of a central relief agency at a time of crisis, whether actually created by the city government or countenanced by it. But most of them approved of some representative supervisory city organ to coordinate and, if necessary, stimulate existing agencies. In fact, they served upon the Committee appointed for this purpose by Mayor Mitchel in 1914. In our opinion, this coordinating body might, with advantage, be made a part of the regular machinery of city government. There is at present no committee, department, office or organization of any kind, public or private, whose business it is to see that the relief needs of the city are adequately met, or even that every form of need prevailing at all times or only at given times has its counterpart in some existing organ or agency prepared to deal with it. This is one of the most serious flaws of our local government.

Desirable Addition to Machinery of City Government

The assumption of this function by the city government was advocated by former City Chamberlain Bruère:

"The department of public charities should be reorganized so that it may be equipped to deal constructively with the problems of poverty instead of being required to devote its principal energies to management of institutions and apportioning unfortunates among private institutions largely supported at public expense. New York will never be able to deal effectively with its great social questions until it equips itself to deal with them by means of a department whose principal energies are devoted to preventing poverty, misery and unemployment."*

* "A Proposal in Reference to Unemployment in the Winter of 1914-1915 for Consideration by His Honor, the Mayor of the City of New York," by Henry Bruère, City Chamberlain, November, 1914, page 7.

Some cities, notably Cleveland, St. Louis, Kansas City, have established departments of public welfare which study social conditions with a view to their improvement, whether by direct municipal action or by public education or by recommendations to and cooperation with other existing agencies, public and private.

The complete reorganization of the Department of Public Charities and of other departments of the city of New York proposed by Mr. Bruère in a bill drafted by him early in 1916 would not be essential to carrying out the provision contained in it which would authorize the Commissioner

"to investigate conditions of unemployment and other conditions creating a demand for public relief and to develop measures for their prevention, and he may render aid in the procurement of employment for the unemployed. The Board of Estimate and Apportionment and the Board of Aldermen shall in each year appropriate such sum as in their judgment may be necessary to carry out the provision of this section."

This addition to the existing machinery of the city might be effected by the creation of a special bureau in the Department of Public Charities or by extending the functions of the present bureau of social investigations of that department.

What a Bureau of Information Could Do

Such a bureau would not become a rival of agencies already in the field, nor would it impose upon them a new form of bureaucratic control. It would rather do a piece of work which so far has remained undone. It would, in addition to the great service it could render in normal times, constitute the city's response to the claims made upon it by its citizens to undertake responsibility in the hour of need. That responsibility never will be discharged adequately if taken up spasmodically from time to time, as public pressure becomes irresistible, because preparatory organization is nine-tenths of efficient emergency action. In this matter, the city government may take a lesson from the Red Cross Organization. This national body, without creating any new relief organization at all, and without creating new relief funds, is able through the utilization of existing relief organizations so to prepare in advance for an emergency as to be able to meet it rapidly and effectively through the most economical and most efficient application of the forces permanently in the field, organized for the emergency work on a preconceived, cooperative plan.*

It may be said, of course, that no municipal bureau, however authoritative and however harmoniously cooperating with the larger relief organizations, could, short of exercising coercive powers, weld all the social agencies of the city into one organized force for dealing with unemployment crises or the effects of prolonged trade depressions. In a complex community there will always be many movements for betterment, for mutual and for charitable aid, which defy controlling influences, and even offers of helpful

* This refers to preparatory organization for disaster relief and not to war activities, since the former is allied to the problem here considered.

cooperation. Injudicious forms of relief by private persons and the less experienced social organizations, unfortunately plentiful during the last crisis in New York as in other cities, are unavoidable both with and without a centralized organization. No amount of preparedness or cooperation among existing societies can altogether prevent such movements from arising, but some, at least, may be diverted into more desirable channels by public education.

Lack of completeness in possible organization, however, is no argument for neglecting organization altogether. Indeed, in so far as they spring from ignorance, mistaken and harmful forms of relief are more likely to be stopped if behind the approved forms there stands the authority not only of one individual organization, but of a city-wide cooperative organization with the city government itself in the background.

Centralized Planning—Decentralized Relief Work

Another objection which has been voiced by a number of experienced persons to the creation of a permanent central organization is that it is apt to close up the more effective and economical private and local relief efforts, that it would discourage self-help and attract applications for aid by advertising the actions taken for meeting the emergency on a city-wide scale. One aspect of this objection has been well put by Mr. W. Frank Persons, Director of General Work of the Charity Organization Society,* at one of the hearings held by the Committee:

"Inevitably, as soon as all of the stream of need pours into one place, there is not only congestion, but there is the burden placed upon those not skilled and not acquainted with the problem. It is perfectly possible to secure reasonably adequate help for families in need if there is . . . expansion of the resources and of the work of existing agencies in a time of crisis; and the expansion of the resources of the existing agencies will much more adequately meet any situation than any relief agency that can be quickly established. I think the city government ought to expect the existing agencies to be conspicuously able to take care of such conditions. It should assume as its part of the work the full responsibility and care of the homeless people."

"If any permanent committee be created," Mr. Morris D. Waldman, Executive Director of the United Hebrew Charities,† advised us, "every care should be taken to avoid the impression that it was a relief committee, because under such circumstances that committee would be held responsible by the people for what they believed ineffective relief."

"The function of the city," said Mr. Bailey B. Burritt, General Director of the Association for Improving the Condition of the Poor, "in addition to providing employment is in trying to strengthen the existing agencies for dealing with relief."

It seems to us, after hearing much similar evidence, that a clear distinction must be made between a centralization of planning and a centralization of the actual work of relief which becomes necessary in an emergency. The danger which must always be kept in mind is that of giving an impression to the public which does not represent the facts of the case, as, for instance

* Until May, 1917, when he became Director General of Red Cross Civilian Relief.

† Until April, 1917.

by the establishment of a central relief fund which would mislead the public into the belief that all responsibility for relief was being assumed by the central organization and that the many private and local relief sources which become operative and appeal for support during an emergency are not needed.

Flexibility of Existing Resources of Relief

Another impression which must be avoided is that the existing relief societies are unable to cope with the situation and that their work in their own sphere must be eked out by a new central organization. As a matter of fact, one of the needs most clearly shown during the crisis of 1914-1915 was that of reassuring the public by authoritative statements that these societies, including trade unions, mutual benefit associations, credit institutions and the like, were fully competent as well as willing to handle all the needed relief work, provided they were financially enabled to do so.

While they differed in their views as to the branches of service which would best be performed by a central committee or bureau under municipal auspices, the social workers with whom we conferred were practically unanimous in recognizing the inadvisability of setting up any elaborate machinery for duplicating or supplanting work already done. Even though existing agencies are not perfect, there are advantages in having the social problems of our complex social life dealt with by a number of different agencies, working either with specialized aims or from varied motives.

With all these dangers and possible objections in view, it still remains true, and an important fact to realize, that the problem created for the city by an unemployment emergency is much bigger than that merely of assuring its immediate relief by some agency or combination of agencies. The city government, in addition to seeing to it that such relief is adequate and non-injurious, has to concern itself with the larger questions of public welfare involved, and must act with a view to future as well as present responsibility.*

A civic emergency policy, proceeding upon a clear understanding of the permanent as well as the temporary problem, must be more than supervisory; it must to a certain extent become directory. It has to establish machinery by which the needy are directed from their nearest point of contact with a social agency to the resources most suitable for their case; it has to a certain extent to direct the stream of private benevolence to the funds most urgently in need of support; and it can aid the scattered relief organizations themselves to recognize the most urgent objects of concentrated endeavor. Whether such central directing function is exercised by the city administration itself or by an appointed central committee responsible to it unofficially, is a matter of comparatively minor importance. The city can delegate, but it cannot for long shirk its responsibility. Nor have

* For example, during the winter of 1915 complaint was made that an undue number of evictions were being made on the lower East Side. An investigation made by the city government showed the complaint to be exaggerated. Thereafter, agents of one of the relief societies were stationed in the court which issued eviction orders.

we found our advisors from the ranks of the privately supported relief organizations opposed to the creation of a municipal organ, official or unofficial, charged with the functions just mentioned.

Direction of Applicants for Relief

Leaving aside the question of wider responsibility of the city government for relief itself, we believe that there would be general approval of a proposal that the city undertake as part of its permanent organization for the public welfare the collection and assembly of information as to the most prominent needs in the general distress, and the adequacy of the resources available for meeting them. But in addition, there should also be some central organ charged with the function of seeing to it that unemployed persons in need of aid can obtain prompt and reliable information as to available sources of assistance.* It is the belief of experienced relief workers that a central bureau of applications would almost certainly become so congested at times of general distress as to make a proper classification of applicants or careful advice to them individually impossible. Other dangers of such a bureau would be that it would attract malingerers who, armed with a card of introduction to a relief agency, would thus consider their claims strengthened. On the other hand, it would discourage more retiring persons who, though in urgent need of assistance, would shrink from exposing their want in a crowded public office. Further, though not administering relief itself, the bureau by its very existence would be apt to check the assumption of responsibility by organizations which have natural contacts with persons in need of aid and are able to render such aid.

In spite of these difficulties, the Committee feels that the direction of persons in distress through unemployment to agencies likely to be of assistance to them is a necessary part of an effective program for dealing with an emergency. Can this need be met without centralizing applications for help? We believe that a central bureau collecting information about available resources can better than any separate agency direct the work of referring needy applicants to suitable sources of relief, without becoming itself a central application bureau. Briefly, its immediate function would be to distribute information rather than to direct individuals. The bureau can best act through a system of decentralized agencies. Its effort would be to inform neighborhood organizations, trade unions, churches, teachers, policemen, etc., of the potential sources and kinds of relief to be found in their neighborhoods, to educate social workers and all those to whom wage-earners in distress would be most likely to turn for advice, in the best means

* Another need for centralized action is already being met admirably by the Social Service Exchange utilized by the leading social agencies in the city. This exchange, which has rapidly grown since its inception in 1912, and now embraces a great variety of organizations interested in families and individuals, receives reports from cooperating social organizations which enable it to identify families or individuals known to them, and, therefore, to direct inquirers to original sources of information and thus prevent duplication of effort. No confidential information is given out, other than that such and such an organization is in touch with a given family.

Organisations which do not normally have occasion to use the exchange, would add to the effectiveness of their own relief activities and those of the community as a whole, if they would utilize the services of the exchange during a time of city-wide emergency.

to be taken to insure prompt attention to their needs and prevent fruitless journeys from "pillar to post." The activities of such a bureau, assuming advance preparation and reasonable efficiency, and varied, of course, for different districts and with different classes of "agents," would in the speediest and most natural possible manner put the person in need of relief in contact with the nearest neighborhood organization, charity, emergency workroom, loan fund, or whatever it may be which would provide for his particular need. This method of directing relief applicants would not be attended by harmful publicity, would avoid prolonged waiting and the aggregation of crowds, would in short co-ordinate the effort to extend the knowledge of relief resources at a time of emergency among those most likely to be called upon for advice.

EMERGENCY CLEARING HOUSE

Its Function

These various considerations suggest the idea of a central clearing house system, charged with the function, on the one hand, of collecting and, on the other, of distributing to relief agencies, social and neighborhood workers, at a time of crisis, such information as will enable them, firstly, to gauge rapidly the degree of adequacy of their preparations and resources in each field of needed relief which they attempt to cover and, secondly, to direct applicants for relief promptly and with assurance to such agencies as are likely to be of most assistance to them.

In other words, to make our suggestion as concrete as possible, we propose that the city should maintain, either in the present Department of Public Charities or in a "department of public welfare," should such be at any time established, a clearing house for the purpose of coordinating the relief resources of the city. Such a clearing house should keep an up-to-date register of existing relief agencies of all kinds, be fully informed as to their separate fields and direct applicants to the public authorities and institutions, social agencies, neighborhood and trade organizations, charities, and such special emergency provisions as there might be from time to time.

In one field of its work, this clearing house would naturally work in close cooperation with the public employment bureaus, but it would not itself direct applicants to opportunities for employment. In like manner, the clearing house would not provide or administer relief, or direct applicants to specific opportunities for assistance. For our purposes, the proposed bureau need be no more than a clearing house of information. It would be directly responsible to the city administration and take no responsibility whatever for the methods of any social agency in the city or for the policy of the city government itself with regard to unemployment or any other social ill.

We do not contend that such a bureau by itself would fully discharge the responsibility which in an emergency undoubtedly rests upon the city government. But it would be for that government itself an essential organ of information upon the reports of which the adequacy of existing relief

measures could be adjudged and municipal action be based. None of the objections made to centralized organization of relief could possibly apply to it.

Must be Permanent.

In order to make such a bureau effective at a time of crisis, it would certainly have to exist, if only in embryo, before that crisis arose; that is, *there should at all times be in existence as part of the regular machinery of city government a small office collecting and keeping up-to-date a complete record of the relief resources of the city in the widest sense, i.e., including, for instance, trade union out of work benefit schemes, neighborhood organizations which at a time of emergency would be likely to start in with relief work though not normally engaged in it, mutual benefit organizations, opportunities for possible relief employment, public and private, etc.*

Such a bureau would not concern itself with the policy of the different organizations catalogued, or with their working methods except to obtain such knowledge of both as to be able to range the individual organization in the general plan of resources and to be able to advise the city government at a time of emergency from a knowledge sufficient, roughly, to suggest the most important deficiencies of the combined resources of public bodies and private organizations to meet the particular circumstances of that emergency.

Need for Remedial Machinery in Permanent Operation

In a fully organized community, preparation to meet the risk of unemployment, as defined by us, would be so complete that if an emergency arose practically no need would exist for undertaking special measures of relief. We may go even further and say that in such a community there would be no need at all of relieving distress as the result of unemployment, because, the risk of unemployment having been foreseen and provided for, economic distress would not arise. There is not, of course, any community in the world to which we could point as an example of such complete preparedness. A bad year, a financial panic leading to dislocation of trade and credit, produce in every industrial community acute suffering which is met by the most various devices for relief.

We believe, however, that the experience of other cities and countries, and that of New York itself, justifies our contention that the creation of a systematic provision to meet such contingencies as we have been considering, will materially lessen the need for emergency relief. There are already promising beginnings in more than one branch of providential social care of systems which, properly developed, will render charitable aid less necessary. We can here touch only upon the most prominent of these movements and discuss them, interesting though they are from many other points of view, only in their general bearing upon the particular problem under consideration.

VI

CREDIT ORGANIZATION

Extension of credit one of principal means of tiding over hard times. Past experiments in establishing loan funds. Insufficiency of existing accommodation limited to loans on marketable assets. Association of men of good reputation, intimately acquainted with one another's circumstances, though individually without marketable assets, offers a basis for individual loans. Possibilities in financing cooperative purchasing associations among credit union members, in a credit union bank and in federations of credit unions.

The limitations of any system of loan organization as a means of mitigating effects of unemployment. Its disadvantages compared with mutual insurance. Burden of cost falls entirely on workers. Payments made insufficiently related to providence of borrower and adequacy in meeting his needs. Credit unavailable to unemployed whose earnings when employed are at or below the minimum subsistence level.

Experience of Last Unemployment Crisis

An inquiry into credit accounts in neighborhood stores, carried on by the Mayor's Committee with the aid of a number of social settlements early in 1915, showed that in addition to a decrease in sales, retailers in that period had to face a considerable need to extend credit. In some cases, credit was refused and in others it was allowed only to old customers known to the storekeeper; but the total amount thus advanced must have been considerable. An effort to organize credit on an extended scale with the aid of large philanthropic loans at a nominal rate of interest did not materialize, although it had the support of a number of influential persons in the city who wished their contribution to the relief of unemployment to take the form of loans to tide deserving families over the difficult period rather than make them subjects of outright money grants. A committee was formed to establish a loan fund; but it found that a sufficient amount could not be got together to start on a scale commensurate with the needs.

The reasons for this failure was, of course, that a time of general stress is an exceedingly unfortunate one for accumulating such a fund and that many who were interested in the idea were not prepared to vest large sums in a scheme that was merely temporary and meliorative and in no way preventive or stimulating to self-help.

"The objections to the emergency loan funds method of loaning direct to individuals out of employment," the present committee was told at one of its hearings by Mr. Arthur H. Ham, Director of the Division of Remedial Loans of the Russell Sage Foundation, "seem to be that no machinery is provided by any such plan for

properly investigating applicants, and the publicity which attends efforts to raise funds of that kind always brings a number of applicants to the fund among whom there is no way of discriminating. The lack of any relationship between the applicant and the fund results almost inevitably in complete dissipation of the fund."

Inadequacy of Existing Credit Facilities

There is in New York the well-known Provident (Pledge) Loan Society which originated in the emergency of 1893-1894. Since then it has built up a large business, now loaning annually approximately \$20,000,000. During December, 1914, when the crisis was at its height, it made over 60,000 loans. It was impossible, however, that this organization with its sound business methods and strict investigation of securities should touch more than the fringe of the problem when hundreds of thousands of bread-winners, deprived of their usual earnings, were in need of ready cash. Such a problem cannot be solved on the basis of ordinary banking methods, or methods of lending money on security of personal property, however much inspired by philanthropic motives. To be of assistance to the mass of people who have no assets worth speaking of, a system is needed in which personal knowledge of a person's potential earning capacity, honesty and ability to repay with improving trade conditions can be taken into account as assets.

A complete credit institution for the industrial population would have to differ from existing loan institutions in the same way that the Raiffeisen and other European rural credit systems differ from the ordinary banking facilities for farmers; that is, those acquainted with the whole of the circumstances under which the individual applicant earns his living and who have confidence in his personal integrity and means of supervising his industrial activity alone are in a position to gauge the amount of ready cash with which he can safely be entrusted.* When other banking security is out of the question, the mutual security which can be given by men associated in the same industry or other common interests often is sufficient to warrant substantial loans. But this security has for its essential condition permanency of organization; it cannot be created in an emergency.

Credit Union Plan

Mr. Arthur H. Ham has elaborated a scheme which, in the main, meets the fundamental conditions of a loan system which is likely to prove helpful to the large numbers who have no ordinary banking securities, which is financially sound, democratic, elastic, and in line with the social movements making for self-reliance and mutual aid. This "credit union" plan is now in operation over a sufficiently wide area to judge of its merits. Under Chapter 369 of the Laws of New York (1914), as amended by Chapter 294, Laws of 1915, the incorporation of credit unions has been given legal sanction in this state.

* The new credit facilities for the American farmer under the Farm Loan Act do not go as far as many of the European systems, since they consist exclusively of long term mortgage loans upon farm land and improvements and do not enable the borrowing of operating capital for a few months.

A credit union is a cooperative association for promoting thrift among its members and providing them with credit facilities. All the members share equally in privileges and ratably in profits. Each member has one vote. The basis of membership is some common bond or community of interest; apart from this, good moral character and a reputation for honesty, sobriety and industry are the only qualifications for membership. There is, however, an advantage in limiting the size of a union so as to encourage active interest of the members in the management and an intimate mutual acquaintance. There is no limit to the issuance of shares, but frequently to the number of shares each member may hold. Shares can only be transferred to members, but can be withdrawn under certain conditions.

In addition to the share capital, the funds of the credit union may be increased by savings deposits of members and loans from others. The borrowing power of these unions is restricted by law; it is only exercised in an emergency, and as a rule upon a vote of all the members at a general meeting. Loans are granted to members only if the purpose for which they are requested can be shown to serve some socially desirable end; that is, if they supply an urgent need, productive purpose, or otherwise are conducive rather than harmful to the economic independence and progress of the applicant.*

Advantages of Credit Union

Concerning the relief of unemployment in an emergency, the advantages for this form of organization claimed by its adherents are the following:

(a) Under the laws of the state, each credit union must continue in a solvent condition. It cannot withdraw the privileges of members under pressure as other credit and benefit organizations often have to do in an emergency.

(b) The plan is flexible and easy to administer. It helps those in need at the time and to the extent of their need without arbitrary limitations.

(c) It is removed from charity, withdrawals by and loans to members in hard times being from funds contributed by themselves in good times.

(d) The organizations know their members and are not likely to be imposed upon.

(e) A man is more appreciative of assistance rendered by his immediate associates and consequently more faithful to his obligations than when assistance is rendered by an outside impersonal organization.

(f) His need and ability to repay is subject to close scrutiny and supervision.

(g) The local credit union provides a convenient means of saving small sums and constantly reminds its members of the importance of saving in provision for future emergencies; its appeal is to men whose earnings are irregular as well as to those with a comfortable regular income.

* A more detailed outline of the purposes and methods of credit unions will be found in "*A Credit Union Primer*," by Arthur H. Ham and Leonard G. Robinson, and other publications issued by the Division of Remedial Loans of the Russell Sage Foundation.

(h) The credit union teaches its members business methods, self-government and self-reliance, and thereby makes them better citizens.

(i) By the establishment of a separate union for this particular purpose, it is possible to provide a similar credit organization for individuals not affiliated with any group in which a credit union may be organized. In this case, lacking intimate personal acquaintance of the members, deposits in banks in liquidation, endorsements without recourse or certificates of character from former employers or other responsible parties, must serve as securities.

Possibilities in Financing Cooperative Purchasing Associations Among Credit Union Members

It may further be pointed out that the financing of cooperative purchasing associations among their members would be entirely within the scope of credit unions and a most desirable extension of their function. Such associations have done more, perhaps, than any other agency in England, Belgium, and the industrial sections of Italy, to improve and stabilize the standard of life among the workers. They encourage the habit of cash payment and, by accumulating dividends on purchases made, offer a valuable means of saving in small amounts.* The linking up of such cooperative societies with credit unions avoids duplication of machinery and—especially in this case in Belgium—affords an economic nucleus for a healthy social organization and community life.

Central Credit Union Bank

Another development which has been proposed and which we cordially endorse would be the organization of a central credit union bank which, serving as a bank of deposit for credit unions and making loans to them, would equalize the demand and supply of loanable funds. Such a central union might provide savings and loan facilities for individuals not eligible for membership in other credit unions, as suggested above (under i, page 62). At a time of abnormal unemployment it could make special arrangements for administering loans from existing or specially subscribed funds to unemployed persons and to retail dealers unable to meet the demands upon them for extended credit. But in such a case, the central bank would generally act as an intermediary rather than as a direct distributor, undertaking responsibility towards the relief society, newspaper fund, or whoever it was that provided the fund and using this fund to enable credit unions to meet the increased demand upon them from members and others eligible under their rules. This suggests a further need if the credit union plan is to be extended to the limits of its useful application, namely an agency—and a central credit union bank acting in cooperation with the State Banking Department might well be such an agency—for auditing and supervising credit unions, systematizing their work and increasing their efficiency.

*The average Lancashire or Yorkshire working class family looks to the accumulating dividends upon food purchases as a fund from which to replenish the wardrobe and household furnishings, with a little margin as an insurance against eventualities. This form of saving requires less conscious effort and sacrifice than any other.

Recommendations of Federation of Credit Unions

Finally, we would support a recommendation made by Mr. Ham for the creation of city, state, and national federations of credit unions which might carry on continuously the educational, organizatory and supervisory work required to extend the credit union plan and to increase the usefulness of existing credit unions.

Limitations of Credit Union Plan

While we are fully in sympathy with this plan and are glad to endorse it as eminently useful in providing a reserve out of the workers' own resources for hard times and especially for periods of unemployment, we cannot accept it as a complete solution of the problem which we have set for ourselves.

It shares with most thrift schemes the disadvantage that, with the best educational effort, it can with difficulty be made acceptable to the large classes most in need of such provision. The workman in permanent employment is apt to think that he is not affected by the risk of unemployment; the casual or intermittent worker, accustomed to short periods of unemployment which he is in the habit of tiding over by a reduction in personal and domestic expenditure, by securing credit at stores and loans of small sums from miscellaneous sources, is either not willing or not able to think in advance and provide for the graver necessities of a time of prolonged unemployment. There is no doubt that this apathy can gradually be overcome, especially if the credit union idea is taken up and advocated with force by labor leaders and others enjoying the confidence of the wage earning classes; but human indolence will greatly retard its expansion.

The plan shares with trade union out of work benefits the disadvantage that the whole burden of relief falls upon the men who are thrown out of work through no fault of their own and, for this reason, reduces the incentive to employers and the general public to bring back normal conditions of employment with the greatest possible speed. A plan under which employers can be made to contribute directly to the support of employees dismissed through slackness, or even the responsibility of the well-to-do classes in the community to contribute to relief funds and to make themselves acquainted with the distress wrought by unemployment, undoubtedly has an influence upon the return of normal times.

We also believe that a scheme more definitely relating the loans or benefits to proofs, on the one hand, of the individual's unemployment and, on the other, of his probable earning capacity, would insure greater financial security. If our proposal for the establishment of a clearing house of information in close relation to public employment bureaus were accepted, it might be possible, perhaps, to make available to credit unions more trustworthy information than they now have when obliged to rely upon the limited knowledge of their own members concerning employment opportunities and the willingness of an applicant to accept work if such can be found suitable to his capacities and under reasonable conditions.

Compared with any form of unemployment insurance, the credit union plan has the further disadvantage of creating uncertainty with regard to the benefit which the contributor can expect in case of need. The award of loans, if not arbitrary, is at least so flexible that no definite relationship can be established between it and the individual's foresight and sacrifice.

The principal objection that can be made to every credit and loan scheme in practice is, however, that the payments made are not sufficiently related to the needs of the applicant. While the more modern relief societies make an ever increasing effort to bring financial aid, when it is given, into as close a correspondence to the actual expenditure which it is necessary to incur to maintain the home, and while under most insurance schemes there is some definite relation between unemployment benefits and the customary standard of living of members, other considerations usually take the place of this most necessary one in the response of loan and credit organizations to claims made upon their funds.

If one thing is certain, it is that the omission of so vital a question from this discussion would be a serious flaw. Our program becomes a mere theoretical dissertation unless it is built up on the supposition that, with all the variations of income in good and bad times, for the great mass of the people expenditure must go more or less on a level.

For, in spite of its high standard of wages, compared with those current in Europe, the population of this country and of this city consists to an alarming proportion of families which at normal times live on, or just below, the subsistence level; that is, have a lesser income than that which can with scientific precision be calculated to be the minimum necessary for the maintenance of physical efficiency under the conditions of city life. Every further reduction of income increases, not the danger but the certainty of these families deteriorating in health and moral staying power, becoming carriers of infectious disease and bad traditions in morals and manners, falling easy victims to the elementary passions, increasing the population of our state and city institutions, and reproducing on American soil the slum conditions of the old world.

VIII

INSURANCE AGAINST UNEMPLOYMENT

Insurance the logical method of providing against lack of earnings through unemployment. Would be unnecessary if preventive measures were complete. Theoretical difficulties of insuring against a risk due not to natural causes but created by human action. Inequality of risk for different classes of workpeople.

Absolute justice in apportioning burden of insurance to risk incurred by individuals and classes of wage-earners not essential. Large proportion of wage-earners too poor to make adequate provision against unemployment even by insurance. Insurance cannot become universal cure of distress due to unemployment. Compared with other expedients it has unequalled advantages for majority of workers.

Out of work benefits provided by trade unions. Few regular systems of contributory unemployment insurance in operation. Examples of insurance provisions by unions. Advantages of autonomous insurance.

The British national system of unemployment insurance. Success of its operation. System of labor exchanges essential to administration. Opposition of American Federation of Labor. Compulsory insurance not immediately practicable in United States.

The case for compulsory insurance. Theoretical objections answered. Has elements of prevention as well as cure. General agreement that some extended system of unemployment insurance desirable. Missing links must first be supplied. Subsidized voluntary insurance unlikely to lead to desired goal. Could not provide for contributions from employers. Extension of trade union insurance, desirable as a means of creating machinery for democratic administration of wider insurance system. Chief need the development of an effective system of public employment bureaus.

The Need for Some Form of Unemployment Insurance

So much has been written on the subject of unemployment insurance and the practicability in this country of plans which have been found workable in a number of European countries, that it is hardly necessary in this report to recapitulate all the general arguments in its favor or to describe the various systems. If there were any hope of an early adoption by American industry, legislation and high finance of effective methods of regularizing employment and preventing cyclical or occasional periods of general panic and trade depression, such a provision would not be necessary. If wages were so high that practically every wage-earner could lay by a sum sufficient to provide for his personal risk of unemployment, and if thrift were a universal national virtue, the mutual insurance of wage-earners against this risk would be unnecessary; each could invest his savings in a form appealing to him as most attractive.

But, unfortunately, we cannot assume such a state of things as a basis for our preparedness program. We have to reckon with the fact that large numbers of work-people in this city, as in every industrial community, do not enjoy an income sufficient to enable individual provision for hard times, that the movement for regularization of employment is only in its infancy and bound to develop slowly since it involves an educational process;

that the great majority of Americans require some special incentive to thrift; and that trade depressions from the usual financial and industrial causes and trade cessations from unforeseen and sudden causes are likely for some time to play as large a part in the economic life of the country as in the past.

The Mayor's Committee has studied different methods of unemployment insurance with an open mind, in conformity with the recommendations of the previous Mayor's Committee on Unemployment that

"the basis upon which unemployment insurance can be undertaken in New York City and New York State, as well as the nation at large, should receive careful consideration. The subject should be brought forcibly to the attention of the leaders of opinion in industry, politics and government. Information should be gathered as to the operation of such out of work benefits among trade unions in this country. Knowledge of unemployment insurance plans of other countries should be brought to the attention of the citizens of New York."*

Unemployment An Insurable Risk

Insurance has been resorted to as a provision against uncertain risk to meet the financial losses arising from sickness, from old age, from death, from incapacity, from fire, burglary, etc., because it allows a pooling of resources among large numbers of people sharing the same risk. Applied to unemployment, the same perplexing difficulties and questions arise which stand in the way of a vast extension of other forms of social insurance. Firstly, the risk is not an altogether unavoidable one. One employer or one group of industrial interests may make more adequate preparation to avoid frequent fluctuations in the demand for labor and to decrease the seasonal or cyclical fluctuations of production. Another may neglect all precautions and deal with labor as with bank balances which can be increased and reduced at will as the exigencies of the business demand. The risk of unemployment for the employees in these two groups obviously is unequal. But so are all risks. One captain is a more skilled seaman than another, one wife is a more intelligent housekeeper than another; yet insurance premiums do not vary with the differences in the risk of shipwreck in the one case or of death in the other. A rough approximation to an average is sufficient to render to each policyholder the service of a definite provision against a future possible need without serious injustice.

The fact that thousands voluntarily pool their risks in this way without complaint, knowing well that predisposing causes of the calamity provided against are unequal, shows that this averaging of contributions to render a uniform service is no more resented than is an equal tax rate among people receiving an unequal amount of service from the taxing authority. Absolute justice in the distribution of the burden for a social service is not only impracticable but against the very spirit of social life which is possible only if individuals are willing to a certain extent to communalize their services and contributions.

Another objection to insurance against unemployment which is sometimes voiced is that too large a proportion of the wage-earners are too poor

* Report of Mayor's Committee on Unemployment, January, 1916.

to make any such provision and that, even if they could, their maintenance during involuntary idleness should be made a burden upon the industry which, through faulty management, excessive speculation and other avoidable action, was responsible therefor. We have already expressed the belief that a large proportion of American wage-earners cannot, without detriment to their normal standard of life, make any provision against unemployment. Insurance, paid for in whole or in part by the wage-earner, is possible only if we assume that, averaged over a number of years, the family income is sufficient to meet all needs. The problem, even in the case of assisted schemes of insurance, obviously is that of accumulating a reserve out of the family income in good times for the purpose of having it to spend in bad times. For this reason, insurance cannot, under present conditions, become a *universally applicable* remedy of distress arising from unemployment.

Nevertheless, it has advantages, compared with other proposed means of providing against unemployment which give it an outstanding importance. It is the only expedient which combines regular preparatory provision with a definite scheme of benefit thoroughly understood before the risk is incurred, with complete absence of charitable aid, and with the application of a rigid test to claims.

(a) VOLUNTARY INSURANCE THROUGH TRADE UNIONS

Existing Provision by Trade Unions

In the winter of 1914-1915, several hundred delegates of the trade unions of New York met in convention to consider ways and means of dealing with the unemployment emergency which had arisen. A resolution was passed among others

"that this convention deems it just and proper to call public attention to the fact that the trade unions of Greater New York have brought from day to day and week to week relief to the unemployed to an extent infinitely greater than has been done by any other social agency. The 400,000 trade unionists gaining the livelihood of perhaps one-third of the entire population, have generously shared with one another an amount of work that is immeasurable; in numerous cases those regularly employed voluntarily turning over a part of their time to fellow unionists. . . . In the capacity as relief societies, the unions have given hundreds of thousands of dollars to members in need."

There is no doubt that the part played by the trade unions in the prevention of distress in recent periods of abnormal unemployment has been very considerable. No record is obtainable of the actual amounts distributed in this way; nor is there a complete list of unions which provide for out of work benefits, either as a part of their general operations or in an emergency. The report of the American Association for Labor Legislation* mentions thirteen national and three New York local unions as giving

* "Unemployment Survey 1914-1915," American Labor Legislation Review, November, 1915.

unemployment "benefits." But, it is stated, and more recent inquiry made by the Mayor's Committee confirms this, that some of these have no regular out of work benefits and relieve members only to the extent of remission of dues during unemployment (*e.g.*, metal polishers, piano, organ and musical instrument workers, pattern makers).

The only unions from whom it has been possible to obtain particulars of anything approaching a regular unemployment insurance system are the international cigar makers and carpenters and joiners' unions, one local union of the brewers and two of the typographers. The benefits paid range from \$3 per week (cigar makers) to \$1 per day (Typographical Union No. 7), the period during which benefit is payable from a possible twelve to a possible twenty-four weeks in succession.

Limitations of Some Trade Union Schemes

In some cases the members of trade unions insured against unemployment form a special group paying additional dues. Thus, the Amalgamated Society of Carpenters and Joiners in 1914 had only 1,800 members, and in 1915, 1,700 members, entitled to out-of-work benefit. Sometimes the conditions under which benefits are payable are so restricted that only a small percentage of unemployed members are eligible. Thus, the Brewers' Union No. 1 in New York allows a benefit of \$4 for twelve weeks in succession after two weeks' unemployment only to members who have paid dues for one year. After this they must pay dues for two years before they are entitled again to benefit. Only about \$600 is paid annually in benefits by this union of 1,200 members. Sometimes the scheme is only seasonal in application. The noted Typographical Union No. 6, for instance, which has an insured membership of about 7,400, collects dues for the purpose of unemployment benefit only during the six summer months and pays such benefits at the rate of \$5 per week for a maximum of seven weeks during thirteen weeks only. A referendum proposing to extend this benefit and the payment of contributions for the whole year was recently defeated. A curious anomaly of the present system of this union is that contributions in respect of unemployment benefit are assessed during the part of the year when members are most likely to be out of work, the period of assessments overlapping that during which benefits are paid. The explanation is that dues of the same amount—one-half per cent of earnings during the rest of the year—are earmarked for other benefits.

It has been impossible to ascertain the number of insured members of trade unions in this city, and we are unable, therefore, to appraise the economic importance of this provision in connection with a preparedness program against abnormal unemployment. We are under the impression, however, that it is almost negligible, compared not only with the total cost to the city of periods of abnormal unemployment in various forms of relief, but also with the amounts raised by the unions themselves in relief of unemployed members. Trade union leaders admit that the present system or absence of system in the provision made for the aid of unemployed members

is faulty and open to improvement. One of the resolutions of the trade union convention already mentioned was to the effect

"that it is with regret that on passing outside the field of the relief operations of the trade unions the wage earners have found no social agency, public or private, with which their own work in this respect could be coupled up regularly."

Voluntary Insurance with Public Subsidies

There is obviously a need for linking up trade union insurance against unemployment—such as it is and such as it may develop into—with other resources in the city for mitigating the effects of unemployment. Their intimate knowledge of work opportunities for unemployed members and their interest in doing everything possible to find employment for members, rather than aiding them with out-of-work relief, gives to the trade unions a peculiar fitness to participate as carriers of an extensive insurance system. The experience of New York and of the United States generally would seem to suggest, however, that something more than general approval by labor leaders is needed to induce unions to make such provision. Practically in every country where unemployment insurance by the trade unions has been developed to a considerable extent, this has largely been brought about by financial incentives held out to them for this purpose by state or city.

Voluntary and autonomous insurance by an industrial group—that is, insurance organized and administered by the insured themselves—by no means excludes the possibility of public subsidies with so much public control as is necessary to insure the use and distribution of these subsidies in accordance with their purpose. On the other hand, it is probably that a machinery already in existence, administered without cost to the community at large by men acting from a sense of duty to their fellow-workers, is the most economical for making public subsidies to unemployment insurance effective and of social value.*

Before considering possible means of extending unemployment insurance through existing trade organizations or other existing agencies in the city working on a voluntary and autonomous basis, whether with or without public subsidies, it is necessary, briefly to review the possibilities of extending more widely the benefits of such insurance to workers who would not voluntarily make provision against unemployment.

(b) COMPULSORY UNEMPLOYMENT INSURANCE

The British System

A short description of the British national insurance system, the only compulsory system with an extensive application—covering some two and a half million workers, in seven groups of industry—is given in the report

* For a short description of the principal voluntary systems of unemployment insurance, the reader is referred to the Report of the Mayor's Committee on Unemployment, January, 1916; for a fuller discussion to "*Unemployment Insurance*," by I. G. Gibbon, P. S. King & Company, London, 1911.

of the Mayor's Committee on Unemployment, January, 1916.* It is the basis for most proposals which have been made for the establishment of universal unemployment insurance in the United States.

It was created, as Dr. Rubinow reminds us,† in the face of expert opinion that it was inexpedient and of the fact that the only compulsory scheme previously in existence, that of St. Gall, a small manufacturing city in Switzerland, had failed. The British scheme came into effect in July, 1912, together with the Health Insurance provisions of the famous act passed in 1911. Since then, the country has passed through a period, first, of abnormal prosperity, and, then, of complete industrial disorganization through the war, so that it is too early to judge of results. This will be possible only after it has weathered a typical business cycle, including years of slackness and bad trade as well as those of normal activity and of boom. It is possible, however, to point out that a few of the doubts and fears entertained by expert critics already have become dispersed in the actual working of the system.

"The workman has borne the deduction from his wages with surprising acquiescence. In the seven industries concerned, the employers have not attempted to 'take it out' of the workman (these being practically all men and protected by trade unionism); and, what is more remarkable, there can be noted scarcely any case in which there is evidence that proposals, during the past six months, either for higher wages or for lower, have arisen from the new impost. The Government has had amazing good fortune in starting the scheme in an almost unexampled 'boom' of trade."‡

"During the two and a half years of operations," says Miss Olga S. Halsey,§ "the act has done what it was expected to do; it has been found possible to define the insured trades, to pay benefit to the unemployed workmen within these trades, and to make a saving on the actuarial estimate. . . . The Board of Trade has found it possible to cooperate with the unions and to win the support of the labor party for the scheme, so that, notwithstanding relatively minor criticism, the party is agitating for the extension of the compulsory provisions so that all trades may be included. Furthermore, the existence of compulsory insurance does not seem to have weakened the movement for voluntary insurance, but, on the contrary, to have given it a new impetus, especially with the insured trades."

Essential Conditions of Success

There is no doubt, from such evidence as we have been able to collect, that the success of the British insurance scheme rests upon the existence of an efficient system of labor exchanges and upon the cooperation of experienced, fair-minded, and public spirited trade union officials in its administration. However unpalatable the idea of obligatory insurance may have been to organized labor when the scheme was first mooted, its leaders have realized its possibilities as a means of giving security—and thereby greater independ-

* For a fuller discussion, see papers by B. Laaker and Miss Olga S. Halsey, read at the Conference on Social Insurance held by the International Association of Industrial Accident Boards and Commissions, Washington, December 9, 1916, U. S. Bureau of Labor Statistics Bulletin No. 212, June, 1917.

† "Social Insurance," Henry Holt & Company, New York, 1913.

‡ "The National Insurance Act at Work," by Sidney Webb, Crusade, London, February, 1913.

§ American Labor Legislation Review, June, 1915.

ence—to the wage-earner. Every demand for extension of unemployment insurance in Great Britain has come from trade union ranks.

With this example before us, it is pertinent to inquire whether the British act offers a model for a system of unemployment insurance which could be put into practice within the immediate future in this country. First, it must be admitted that neither in city nor in state, and least of all in the country as a whole, is there a system of public employment bureaus sufficiently extensive in its operations, or capable of such extension within the near future, to fulfil a function in unemployment insurance similar to that of the British national labor exchanges. Lacking such a comprehensive system of public employment bureaus we lack the machinery necessary to insure an unmistakable test of willingness to work and thereby relieve the insurance fund of the needless maintenance of unemployed persons for whom employment might be found and to prevent fraudulent claims.* Nor is there in city, state, or country an organization of labor covering the more precarious trades, which is experienced in the administration of benefits and at the same time willing to cooperate with public authorities in such an effort. The first of these two difficulties is the more important one, but the second is not negligible.

The hostile opposition of many trade unionists may be illustrated by the testimony given by Mr. Samuel Gompers, President of the American Federation of Labor, before the Committee on Labor of the House of Representatives, April 11, 1916, and by his address to the National Conference on Social Insurance, Washington, December 8, 1916. He submitted that compulsory insurance was contrary to American traditions, dangerous to the liberty of the individual, apt to solidify class divisions and to give too much power to government.

"As I live," he said upon the former occasion, "upon the honor of a man, and realizing the responsibility of my words, I would rather help in the inauguration of a revolution against compulsory insurance and the regulation than submit."

Equally strong have been the local expressions of opinion in condemnation of a state system of compulsory unemployment insurance. The "labor group" of the Mayor's Committee on Unemployment of 1915 passed a resolution stating its

"opposition to any system of 'social insurance' which shall separate the wage-earners from the rest of the community by compelling them to carry government issued cards, pay a special unemployment tax, weekly or otherwise, or be subject to discriminating supervision, regulation, and wardship through the police powers of the state."†

It is easy to show that on many points this hostility rests on misconceptions, that certain features of the British scheme which are open to

* "The modernized labor exchange is an essential factor in any sound employment insurance scheme. On this principle all authorities agree. Without a thorough test through a good agency the risk cannot be calculated."—The late Prof. Chas. Richmond Henderson, in *American Labor Legislation Review*, June, 1913.

† There are indications that in other states the attitude to the principle of compulsory social insurance on the part of labor organizations is more open-minded.

criticism are not essential to a scheme formulated to meet American conditions, and that certain dangers apprehended have already been proven groundless by foreign experience. But it is quite obvious that no plan of obligatory unemployment insurance in this country or state is likely within the immediate future to receive the assent of organized labor or would be practicable without such assent.

These two reasons, lack of a system of public employment bureaus and hostility of trade union leaders, make it futile, therefore, to consider in great detail, within the frame of the present program of practical measures which can be immediately applied, the compulsory insurance of wage-earners against unemployment.

The Case for Compulsory Insurance

And yet, compulsory unemployment insurance is the most logical and practical means of providing against the risk of involuntary idleness. Not only for wage-earners but for a considerable proportion of salaried workers it has almost become a necessity of individual safety in our complex industrial system in which workers' incomes are contingent upon circumstances largely beyond their own control. Such insurance is the most economical means by which all workers can be secured against want.* So far from solidifying class barriers, such insurance may become a valuable link of common financial interest between different vocational groups, forced by their combined share in a national or state insurance fund to cooperate in reducing the claims on that fund by reducing unemployment. More than any other form of thrift, it has elements that make for prevention. Many expedients can be devised in an unemployment insurance system which will afford an incentive to employers to regularize employment.

Universal unemployment insurance does not, as Mr. Gompers has asserted, make the workers less mobile but, on the contrary, it increases their mobility in three ways: It enables them, while unemployed, to reach localities where work is to be found; it provides a more complete knowledge of work opportunities than is available without it; it makes it to the financial interest of fellow-workers and society at large to help the unemployed to secure work at terms and wages which they are willing to accept.

It does not subject workers to more investigation, as is also asserted by Mr. Gompers, but rather lessens the necessary investigation of their character and capabilities preceding hiring. The uninsured worker, when unemployed, has to tell his story and answer searching questions at perhaps dozens of different offices, some of which, if contemplating his engagement, will send out further inquiries about him. The insured worker can rely upon one office to provide him with work, if work is to be had at all. This office will look for confirmation of his statements merely to endorsement by a trade union official or to an insurance card in the possession of the work-seeker.

* Compulsory unemployment insurance schemes usually provide for contributions from employers, employees and the government. The employee's share in the cost is therefore much below that of the total cost.

Universal unemployment insurance does not impose upon the worker regulations which interfere with an active search for work when and where he desires or even with voluntary idleness if he feels entitled to a vacation. It does not mean that a man cannot change his job as frequently as he may wish or that he cannot work under any lawful conditions which may appeal to him as fair and satisfactory. On the contrary, it relieves him of anxiety for the possible consequences of a change of employment; it enables him to go far afield in search of better conditions and higher wages without risking to lose such hold upon society as his present job may insure. So far from threatening individual liberty, obligatory universal unemployment insurance enhances it by banishing the fear of want.

In our opinion, the theoretical claims for obligatory insurance against unemployment are unassailable. While we would not lightly set aside such criticism as that to which we have alluded, it seems to us that very largely it is subjective and theoretical and directed against the unfortunate but unavoidable use of the word "compulsion" in this connection. As a matter of fact, nearly every one who has gone carefully into this matter believes that some more general system of unemployment insurance with public subsidies, either national or state-wide in scope, is desirable, even necessary, in the public interest. Most of the leaders of trade union opinion would subscribe to this. The present controversy is between the advocates of compulsory and voluntary insurance; not between advocates and opponents of unemployment insurance *per se*.

The Way Towards Universal Unemployment Insurance

We believe that the practical difficulties to which we have alluded, rather than theoretical objections, or those of principle, hinder the adoption in this country and state, at the present time, of a comprehensive system of unemployment insurance.

While the political structure of the United States differs from that of Great Britain and other European countries, we do not believe this difference constitutes an insuperable obstacle to the adoption of socially desirable legislation of the character under consideration. In adapting schemes found workable elsewhere to American conditions it will, of course, be found necessary to bear these differences in mind and to take account of existing American institutions and habits of thought. But the same need for subsidized insurance against unemployment as a measure for the public well-being would seem to exist in this as in every other industrial country. Being, until recently, more largely agricultural, with large natural resources unappropriated and undeveloped, with its industrial character less fixed, the United States has not been confronted with the problems of the industrial nations of Europe. There was not for decades the same rapid increase in the number of wage-earners dependent upon the vicissitudes of urban commercial and industrial employment, which has been characteristic of these European nations and has induced them to adopt schemes of social insurance. For this reason, rather than because of differences in political

structure, we in the United States are hotly debating principles and policies of social welfare which in European industrial countries have been settled a score of years earlier after almost precisely the same controversial questions had been raised as those now becoming familiar in American discussions.

Such objections as are voiced by the trade unionists quoted and others (certain private insurance companies oppose such insurance for obvious and different reasons), proceed less from sound criticism of the principle or workings of obligatory unemployment insurance as such than from *laissez faire* theories of social and political economy generally.

With existing institutions and the state of opinion as they are, the alternative possibilities of inaugurating universal insurance against unemployment in this country would seem to be, first, a gradual expansion of voluntary provision by trade unions with state aid; second, an educational campaign in favor of compulsory insurance with a simultaneous rapid endeavor throughout the country to perfect and complete a system of public employment exchanges which can be used for safeguarding such insurance against unnecessary or fraudulent claims.

(a) EXTENSION OF VOLUNTARY INSURANCE

As regards the former, it may be said that the grant of state or national subsidies in itself might stimulate the provision of unemployment benefits by trade unions to such an extent as to make it a normal trade union activity. Against this must be set, however, the fact that only a minority of the workers to whom unemployment insurance would be a blessing are organized, and that the objection to state subsidies for unemployment insurance purposes is stronger against a voluntary scheme under which the benefits paid would be limited to members of trade unions, that is, organizations of wage-earners exclusively, than against a more comprehensive compulsory scheme which might also include other classes of the population, that is, primarily clerical and other salaried workers.

Foreign experience shows that a majority of the unorganized workers cannot permanently be associated for purposes of insurance on a voluntary basis. Whatever its intentions and however drawn, a law giving subsidies to voluntary "associations of wage-earners," approved for this purpose, will in practice be a law for subsidizing trade unions in the endeavor to provide unemployment benefits for their members. We believe that such a law would be better than the present lack of any kind of insurance. But added to the natural unpopularity of such preferential legislation with a large section of employers and others, it would find serious difficulties in the inexperience of the great majority of unions in handling such a difficult piece of administrative machinery. Frankly, we believe that a law subsidizing trade union insurance, standing by itself, could not at present be administered without friction; nor would it cover a sufficient proportion of the wage-earners to accomplish the social purpose desired. We further believe that such a law, enacted now, would delay the adoption of a really

comprehensive measure upon which eventually the friends of organized labor and their opponents might unite.

But more important than any of the objections named is the consideration that a system of subsidized voluntary insurance could not provide for compulsory contributions from employers who are far more responsible for the occurrence of involuntary unemployment than the workers themselves, and that the taxpayers' money would be expended in subsidies to voluntary relief without any influence upon the prevention of the necessity for giving such relief. Such influence can be exercised only if employers are made to contribute more heavily than other taxpayers and if the rate of premiums in each industry bears some relation to the relative claims of that industry upon the insurance fund.

While, therefore, we would not advocate public subsidies to trade union unemployment benefit funds as a means of gradually arriving at universal insurance against that risk, we believe that trade unions, under proper safeguards, might well participate as carriers, where so disposed, of a universal scheme when such a scheme is adopted. Whatever means are taken to make effective a comprehensive insurance scheme, it would seem wise to recognize existing associations of workpeople as possible carriers of the system. Such participation, as already stated (p. 69) would be in the interest of economy, would simplify administration and would in addition, insure really democratic management. An immediate extension of existing trade union provision of unemployment benefit increasing the self-help resources of union workmen would, therefore, be valuable in giving the unions increased experience in detailed administration of an intricate system and in preparing them for more effective participation in a future larger scheme. Pending agreement upon a wider measure, international unions and locals would do well to extend such provision as they already have, and to make such provision where it is as yet entirely lacking. Those unions which care for their unemployed members without previous systematic provision for such purpose must realize that only by taxing their members for the purpose of accumulating a fund from which unemployment benefit may be paid can they hope eventually to become the carriers of a state or nationally subsidized universal system of insurance. Fully guaranteed in the rules of membership and safeguarded by sound investment and actuarial regulation of contributions and benefits, it can then be relied upon as an insurance against adversity.

(b) PRELIMINARIES OF A COMPULSORY SYSTEM OF INSURANCE

Having already stated our belief that compulsory universal unemployment insurance is the measure to aim for and having answered the most important theoretical objections to this contention, it may seem incongruous if, nevertheless, we fail to recommend the immediate adoption of such a provision. But we have shown that the machinery for administering such a difficult piece of social organization does not exist and cannot be created

hurriedly, nor is it possible in a democracy to go far in advance of public opinion, especially in a measure so largely depending for its success upon the cooperation of employers and employed.

Under these circumstances, our general endorsement of compulsory unemployment insurance without specific recommendations for a national or state scheme may seem too academic for inclusion in a program of practical measures. But it was impossible for us to leave undiscussed the line of action along which a great many earnest students of the economics of unemployment seem to see the most important mitigating influence for the future. Nor was it possible, raising this issue, to leave in doubt whether we would favor a voluntary or an obligatory system of contributory insurance. And, finally, although this report is confined to abnormal unemployment and the means for its prevention and relief, the present instance serves to re-inforce a point made frequently throughout this report, namely, that effective action to deal with a crisis when it occurs must be prepared long beforehand and requires for its effective prosecution machinery in permanent operation. *Public employment offices, sufficient in number, in personnel, in financial support, to give every unemployed person reasonable access to a knowledge of the labor market, are essential to unemployment insurance; but no less so to every other measure recommended in these pages. We, therefore, conclude this chapter with added emphasis upon the need of securing for these bureaus continuous and adequate public support.*

VIII

PRINCIPLES OF EMERGENCY RELIEF AND OF RELIEF EMPLOYMENT

Emergency relief preparation necessary to meet distress. Registration at a recognized employment bureau as a test of willingness to work. Danger of shirkers to relief funds. Experience in Boston and New York. Sending needy persons from "pillar to post" an avoidable waste. Suggested supplementing of central clearing house of information by local branches.

Limits to usefulness of work tests. Relief employment more than a test. Disguise of charitable intent of relief work useless and mischievous. Claim that relief work can be made self-supporting not supported by experience. With rare exceptions relief employment must directly or indirectly displace workers employed under normal conditions. Selection of unemployed workers with a view to qualifications for relief employment necessary. The classes most likely to benefit from it.

Need for Special Emergency Measures

Having considered preventive action and relief of abnormal unemployment by measures which must be in permanent operation to be effective, we now come to the subject of emergency relief proper which, unfortunately, is often uppermost in the minds of those who think of programs for dealing with abnormal unemployment, but which really is of minor importance. Nevertheless we are compelled to include in our program a section devoted to emergency relief on the assumption that preparatory effort has been lacking or has remained inadequate to so large an extent that the existing machinery of relief does not suffice to abate privation and loss of physical mental and moral vigor.

Function of Emergency Relief

Emergency relief differs from the remedial machinery in permanent operation in this respect, that self-help plays little part in it. It is, perhaps, an open question, to what extent a number of unemployed men can make themselves self-supporting by providing themselves with proper organization for production of marketable commodities or for services. But in practice those unaided by previous thought, in so far as they fall into want through the emergency, are individuals who require sympathetic aid from others. The problem of saving them from complete destitution becomes one primarily, though not entirely, of charitable aid—however distasteful the word charity may be to many.

Differentiation of Relief Measures for Different Classes of Unemployed

We would recommend, more especially in connection with this emergency problem proper, that no person shall be held eligible for any form of public or

charitable relief intended to mitigate unemployment who has not registered at one of the public or approved non-commercial employment bureaus for at least a week without being able to secure work. That would at once exclude from participation in emergency relief of unemployment those who, though perhaps in need and worthy of every sympathy, cannot lay claim to being "involuntarily unemployed through lack of work." Often such persons apply for relief work because they consider it only another name for charity when they would have no intention whatever of applying for employment under normal business conditions.

This seems to be a universal experience.

"Thoroughly advertised as was the large relief fund and central work rooms," says Mr. Fred R. Johnson, Secretary of the Associated Charities of Boston, speaking of the crisis of 1893-1894, "great numbers of applicants flocked to the headquarters of the Citizens' Relief Committee. These included not only the legitimately unemployed but also chronic dependents who had previously been cared for by relief societies, as well as a number of men and women who were working on part time in some of the factories and business establishments of the city."*

In 1914-1915, an entirely different policy was adopted in Boston, with the result that this choking up of the machinery of unemployment relief was avoided. Similarly, in New York, the Association for Improving the Condition of the Poor, by a strict separation of the bona-fide unemployed from other applicants for relief in 1914-1915, succeeded in dealing with both classes more effectively than during any previous period of abnormal unemployment.

"The plan enabled us," they report, "at once to discriminate justly between the man willing and anxious to work and the work-shy man who, even when jobs are plentiful, never works regularly, and who, seizing the fact that his out-of-work plea would entitle him to a share of the funds contributed to relieve unemployment, was quite ready to settle down to a period of rest."

It is important that employment bureaus and the agencies charged with the administration of unemployment relief work and charities should know where to advise such persons to apply for the help they need. It is possible, with a very few questions, asked only in case an applicant is manifestly applying for employment only as a matter of form, to ascertain which of the main distributing centres for charitable aid in the city or neighborhood would be most likely to give the applicant appropriate treatment. At present a clerk in an employment bureau or a neighborhood worker rarely has the knowledge requisite to send such a person at once to the agency which is most likely to be helpful. The enlightenment of such person through a central clearing house of information as has been suggested by us above (p. 53) becomes a necessary link in the chain of emergency measures.†

* In a paper read at the National Conference of Charities and Correction, 1918.

† In September, 1916, the Federation of Non-Commercial Employment Agencies issued a classified directory of the public and private non-commercial employment bureaus of the city, prepared by the Secretary of the Mayor's Committee, who organized and was Chairman of the Federation. This type of publication, revised from time to time, would be of the greatest service to the administration of such a clearing house as is proposed, and is indicative of the kind of helpful publication which could, in briefest terms, catalog the scope and kind of service which permanent or temporary agencies were prepared to offer.

Rapid Direction of Applicants to Sources of Aid

The sending of needy persons from pillar to post has been one of the most inhuman and, at the same time, almost entirely avoidable features of public calamities and periods of general distress in the past; it is the chief reason why some philanthropists have accepted the erroneous view that the only humane method of meeting this distress is that of relieving every applicant without question, and all alike. In order to insure rapidity of communication and to avoid congestion, it may be well at times of abnormal unemployment to supplement the central clearing house of information recommended above by a number of local emergency branches, say one for Brooklyn, one for the Lower East Side, one for the Upper East Side, and the like. So far as unemployment were the direct cause of distress, as shown by unsuccessful application at a public or publicly endorsed employment bureau, such branch clearing houses, would enable the agencies and social workers in the neighborhood, and even private citizens, to direct applicants to the agencies especially charged with the administration of unemployment relief or with such part of it as would seem especially applicable to the circumstances, desires, capabilities and other characteristics of the individual.

(a) EMERGENCY RELIEF EMPLOYMENT

Limits to Usefulness of Work Tests

The danger to the community resulting from unconditional outdoor relief of able-bodied persons in distress through unemployment has been recognized so generally and so clearly that it is no longer necessary to plead for a form of aid which insures some effort at self-support on the part of the beneficiary. Indeed, it may be said that the pendulum of public opinion has perhaps swung too far in this matter and that frequently work-tests and other evidences of willingness to make sacrifices are required by some organizations from applicants as a guarantee of their bona fides which are neither reasonable nor conducive to the preservation of self-respect. If, for instance, a mother, responsible for the care of a number of young children, is forced to work at a wholly unfamiliar task before a grant is made to her for the support of her family, she is likely to suffer from over-work and the children from neglect. If an electrician, out of work, is set to wood chopping as a test of his willingness to work, it is not impossible that the humiliation may break his self-respect and sap his manhood.

On the other hand, it will be found comparatively easy to avoid the worst blunders of the kind mentioned, if some such classification as has been suggested in a previous chapter, of unemployed persons and those applying for relief under the guise of "unemployed," is adopted to determine which of several possible forms of relief is the most suitable, considering all the circumstances of the case. Relief employment then becomes not an arbitrary rule to test the eligibility of applicants to benefits, but a serious and businesslike provision of opportunities for some of them to maintain themselves and their dependents without inactive reliance upon charitable relief.

The idea that the unemployed person shall be given a chance to work at relief employment for his living must not even under the most favorable circumstances be allowed to mislead him and the public generally into the view that by accepting this chance he avoids the necessity of accepting charity. And no protestation on the part of relief agencies that they give the unemployed "work and not charity" can deceive anyone for long, least of all the unemployed themselves who know well enough when they are engaged in a business undertaking and when they are not. When a man is engaged by a householder to do some odd jobs about the house, he may not know whether the job is the result of a genuine want or whether it is "made." But when he chops wood with twenty-nine other men in a yard which in normal times did not exist, or is paid 40 cents an hour to paint flowerpots, he is perfectly well aware that he is in receipt of charity, and it is useless to try to deceive him. A man does not go to the Salvation Army, to the Association for Improving the Condition of the Poor, or to a church workshop to obtain employment under normal conditions, but to obtain financial aid in the form of compensation for work, usually quite out of proportion to its value.

And why this endeavor to conceal the nature of the task? Is it more humiliating to accept aid, frankly offered as such, at a time of stress than to be treated as a mental inferior who is deceived in believing himself employed at a genuine business task? If the job is merely a test of willingness to work, is not the applicant more likely to apply himself to it with zest and dignity, knowing its real nature, than thinking that aid is given him grudgingly by an organization which is trying to exact a price for it but is so amateurish in the business as to be easily deceived? This insistence upon relief work as not being charity on the part of certain organizations is the more short-sighted since, having to meet part of the cost from charitable contributions, they are forced to advertise their endeavor as deserving of support, a contradiction which cannot possibly escape a moderately intelligent and observant individual.

The claim is now advanced by some that it is possible to make relief employment entirely self-supporting and thereby to take it out of the range of charity. We contend that even if this claim were true, the very fact that such employment had been organized for the relief of distress, that it was administered by philanthropic bodies and not in the interests of private business, would give it a charitable motive and character. More important, we have been unable to collect information of a single instance in which that claim, even within the technical limits, can be maintained.

Mr. William A. Whiting, at the time Director of the Committee on Social and Industrial Welfare of the Unemployed, in his evidence to the Committee, insisted that all the opportunities for employment started and contemplated by the Committee were self-supporting and not in the nature of charity.

"All such can be provided with an opportunity to work and earn their way so that they will neither have to deteriorate or seek charity. . . . In connection with our industrial work, we pay fair wages and make products to sell. We pay wages not from a charitable fund, but out of legitimate trade."

This organization, at the time this statement was made, had not been in existence long enough to produce balance sheets showing how its workshops are supported, and Mr. Whiting's statement was not, for this reason, accompanied by the only possible conclusive proof. It is probable, however, that the over-head expenditure of these industries at least is not met and will not be met by the profit from sales. The Goodwill Industries carried on in Brooklyn and in connection with the Morgan Memorial Institute in Boston, and consisting in the working up of old furniture and clothing by unemployed persons, are frankly charitable in character; but those in charge of them believe that it is possible, at least in normal times, to make these industries self-supporting so far as wages are concerned. Allowance has to be made for the fact, in this case, that all the material worked upon is given; the industry, therefore, based upon charity, and that some of the most profitable branches are those into which inventors and scientific managers have put much effort and ingenuity for which they did not expect or receive a commercial return.

Another claim frequently made in connection with relief work must also be set aside. The Committee has been unable to find instances of industries undertaken for the relief of unemployment which were non-competitive in the sense that they did not directly or indirectly displace labor employed under normal conditions.* Sometimes, when an inventor under a charitable impulse gives the exploitation of a patent or secret process to a relief organization, the industry based on it may for a time be non-competitive. Also, it may be without competitors if it manufactures material which ordinary business enterprise is unable to obtain at all or under similar conditions. But in both cases, something is being manufactured which sooner or later must come into competition with goods manufactured commercially.

If the Brooklyn "Goodwill" Industries can carry on a thriving trade in second-hand furniture by making up odds and ends given them by charitably disposed householders, they may be able to put them on the market at prices which would not pay private industry; but in so far as the public is enabled to buy these cheap goods, it will not buy goods serving the same purposes which are manufactured with ordinary labor and with bought materials.

If the Boston Goodwill Industries, by using a patent dedicated to them, make old shoes weatherproof, so that they become saleable, these shoes, of course, take the place of new ones which otherwise would have been bought. The only way in which a new industry could be non-competitive would be if it created the demand as well as the supply, a demand which did not previously exist and which, after having been stimulated, could not be satisfied except by the particular industry which had called it forth. A maker of scientific instruments occasionally creates such a non-competitive

* "I have not been able to think of a single thing we could manufacture that does not more or less compete with normal labor, if not with union labor." (Colonel Parker, Social Secretary of the Salvation Army for the Eastern States.)

industry; and in the artistic trades, where the taste of the producer is the chief ingredient which makes the product saleable, such industries are frequent. But industries using non-selected labor untrained for their particular tasks and carried on for the purpose of providing unemployed persons with jobs can only quite exceptionally be non-competitive, in the sense of not displacing other labor.

We would, then, look upon relief employment as a necessary evil rather than as a substitute for charity or as a form of charity by which the world is enriched with commodities not in competition with the product of regular industry. This brings us to a recognition of three cardinal principles which must be held in mind to avoid the confusion of thought on the subject of emergency employment which is apt to be misleading and harmful.

(1) Emergency relief employment for unemployed workmen can only be non-competitive if it is directed to the production of commodities for which there is no normal demand. Any manufacture or service supplying a normal want, by labor engaged not for its fitness but for its need, is apt to throw out of employment workers otherwise engaged in such manufacture or in the supply of commodities and services satisfying the same wants, at normal wages and under normal conditions, selected for their competency for the work. This competition still exists if the employment of unemployed labor anticipates a demand which otherwise would have been supplied later—if, for instance, improvements are advanced or commodities put on the market which in the normal course of things would not have been made or produced during a time of depression.

(2) The employment of unemployed workers on account of their need without the usual selection for competency for the job must of necessity be socially wasteful by making production more costly. In an emergency, of course, this form of waste, though it should not be ignored, may be thoroughly justified.

(3) It is necessarily charitable in aim and character.

It does not follow that on account of these facts, such employment cannot be socially extremely desirable. It will be recognized on all sides that in many cases charity in the form of wages for services rendered is preferable to charity in other forms. Even though competitive with labor engaged under normal conditions, emergency relief employment may be justifiable in so far as it distributes that employment over persons who without it would suffer. The industrial employer who, at a time of slackness, spreads the employment which he has to offer over his whole working force usually acts more in the social interest than the one who concentrates it upon the most efficient and discharges the others, even though the latter process insures cheaper production. In the same way, competition with industry working under normal conditions may be justifiable by the good social results from distributing employment in part over those most urgently in need of wages for work done.

(b) THE CLASSES ELIGIBLE FOR RELIEF EMPLOYMENT IN AN
EMERGENCY

Our classification of those likely to be in need of aid during a trade crisis showed that those most wisely assisted through provision of work opportunities not offered by private and public enterprise under normal conditions were:

- (1) Many of those who always live by irregular work at low wages;
- (2) Some of those who usually support themselves by irregular work at comparatively high wages;
- (3) A considerable proportion of unemployed seasonal workers whose self-help provision for unemployment is inadequate;
- (4) Regular workers fallen out of work through a general trade crisis in every skilled and unskilled occupation, especially the low-paid who are unable to provide for themselves by means of thrift;
- (5) A few of those who lately engaged in a wage-earning occupation who at a time of general distress, without other resources, are often best relieved by wages for some work which they are able to perform.

No statistics are available to indicate the relative proportion of those belonging to these various groups who were helped by relief employment during the last unemployment crisis in New York. But even if we did know this, the proportion may be an entirely different one in another emergency, since the effects of financial disturbances or relative over-production upon industry vary with the circumstances of each crisis. It is, however, safe to say that in 1914-1915 among those in distress who, in accordance with our analysis of the problem, would best be helped by relief employment, were included a far greater proportion of men and women previously employed in indoor than in outdoor occupations. The fact that of those set to work by the relief organizations a large proportion were previously engaged in casual outdoor work, does not reflect the general situation, because those previously in permanent and seasonal indoor employments did not so readily apply for charitable aid even though equally in need of it.

IX

RELIEF EMPLOYMENT (1)

Reasons for greater importance of indoor as compared with outdoor employment in relief of distress. Possibilities of outdoor work. Careful management and selection of workers necessary. Full wages for part time relief employment preferable to low hourly rate of wages for full time. Minimum requirements for maintenance must be considered in apportioning weekly earnings.

Relief employment by City—other than advancing and retarding of work given out through usual channels—not desirable. Legal authority for it doubtful. Unsatisfactory results of municipal relief and emergency employment in the United States and in Great Britain.

Popular disinclination to apply to large relief societies for emergency employment. Public attitude not altogether unreasonable. Insistence on putting forward large relief societies as best agencies for administering emergency employment creates new and sometimes undesirable relief organizations.

New organization of emergency relief undesirable. Experience of workrooms established by Mayor's Committee on Unemployment. Existing smaller organizations in intimate contact with persons or groups requiring aid best agencies for this class of work. Not suggested to make them permanent relief organizations. Public should be urged to support established agencies of social activity.

Successful experiments of United Hebrew Charities in decentralizing relief by co-operation with smaller organizations. Application of this principle of relief to city as a whole. Large scale enterprise not necessary in relief employment. Advantages of smaller shops. "Good Neighbor" movement not a success. But principle of neighborhood interest applicable to wider relief task.

Function of central bureau of information in cooperative city-wide scheme for relief of unemployment emergency. Preparedness plan. General plan of action will check injudicious relief activities. How to prevent congestion of application at any one source of relief an important consideration.

Trade Unions not suitable agencies for general distribution of charity. But, additional to charitable relief of own members, unions can occasionally provide employment opportunities for them.

(a) RESPECTIVE SCOPE OF OUTDOOR AND INDOOR RELIEF EMPLOYMENT

i. Outdoor

The advantages and possibilities of outdoor employment in relief of unemployment have been much discussed, not only in this country, but especially in England and in Germany; and little that is new could be added to the voluminous literature on this subject.

Since we are not, in this study, concerned with seasonal unemployment, it might seem as though questions relating to the transference of work from summer to winter did not affect the problem. But in fact they do, for three reasons:

(a) A trade crisis practically always reaches its height during the winter months, when the number of unemployed persons in need of relief is apt to be highest.

(b) There is no limit to the possible outdoor relief employments in summer; so that—assuming unemployment to be equally distributed over the year—it would be important to reserve as much of the outdoor work as possible for winter.

(c) The hardships suffered from unemployment are less severe in summer than in winter, owing to the greater abundance of cheap food and the lesser need for warmth and shelter.*

The experience of the winter of 1914-1915 in several cities shows that it is possible at a time of industrial depression to undertake outdoor improvements at a normal cost in spite of the employment of many men not previously experienced in them. This result, however, assuming the payment of a living wage, is possible only when the important conditions are met which frequently are absent where such work is undertaken for the purpose of setting to work men in distress through unemployment.

(a) The management of the undertaking must be as experienced and as efficient as it would be if the job were given out on contract under normal conditions.

(b) The men must be carefully selected with a view to their physical and mental fitness for the work.

In other words, even when it is decided to set to work men who are unemployed, who have family responsibilities, and who have given evidence of their willingness to work, there must yet be a selection among them of those who are strong enough for hard physical exertion and exposure to cold and wet. Since such relief work will only be undertaken at a time of severe unemployment, there will be no difficulty in making a suitable selection of men.†

There is a consensus of opinion that it is better, if only a given fund is available for relief by means of such employment, to pay full wages to men working less than one week at a time than to pay less than the customary wages for work of this kind and employ a larger number concurrently. There is, however, a limit to the ability of doing this without adding to cost. If, for instance, in a given enterprise, one superintendent with a dozen foremen can manage five hundred men, it would, naturally, be more costly in overhead expenses to employ only half that number of men at one time, or to work only half the week. The same is true if, in concreting a pavement, in excavation, or laying foundations for a building, a certain amount of machinery has to be used which, with a smaller working force or with a half-week schedule, would not be running full speed or would stand partially idle.

Again, in arranging for short weeks or short working days at the customary wage for the work to be performed, care must be taken to insure

* We believe that, unemployment crises quite apart, it would be well to make a complete study of outdoor labor which normally is done during summer to ascertain how much of it can be done in winter. The more equal distribution of public employment over the whole year—differences in the amount of employment provided in different years apart—would obviously be a considerable benefit in regularising employment generally.

† The experiment of the Association for Improving the Condition of the Poor in supplying funds to the Botanical Gardens and Zoological Museum for the payment of men sent by the Association to the work superintendent as applicants for employment in out-door improvements to city property at a wage of \$2.00 per day for three days each week, and selected and retained on the basis of fitness and industry, was a successful example of the application of sound principles in out-door relief employment. See Annual Report, Association for Improving the Condition of the Poor, for 1915, page 13; Survey, June 12th, 1915; or, more briefly, Report of Mayor's Committee on Unemployment, January, 1916, page 78.

that the weekly earnings of the men employed do not fall short of the minimum requirements for the maintenance of the home. For, employment upon relief work of this nature as a rule disqualifies a man (and with a proper cooperation of relief agencies should disqualify him) from participation in other relief resources. Also, his employment being known, he is less able to secure credit from loan funds, retailers and landlord.

The question of remuneration for relief employment will be further considered below.

ii. Indoor

In the older literature on the relief of unemployment, it is usually assumed without inquiry that the bulk of unemployment relief by work for wages has to be in the nature of outdoor employments. This, perhaps, may be so in countries or districts where the bulk of unskilled labor is engaged in the building trade, in quarrying, farming, public improvements and casual outdoor occupations of various kinds; but it is distinctly not so in a great industrial city like New York. The great development of relief employments in certain German cities during the nineties was almost entirely on the lines of advancing public improvements, including paving and quarrying. In England, where similar methods were adopted, apparently a greater proportion of unsuitable persons were engaged. This was due, possibly, to the fact that the proportion of men accustomed to outdoor work in a typical crowd of unemployed persons is smaller than in Germany where the population is less concentrated in cities than it is in England and where a large proportion of the industrial workers have had at least two years of outdoor life as soldiers. Relief employment upon public improvements has never become a satisfactory means of relieving distress.

In the United States, conditions as regards the relative proportion of outdoor and indoor labor must of necessity vary so greatly from city to city that no general statement is possible. But it is important to remember that in New York the winter is more severe than in any part of Great Britain and the greater part of Germany, and that the proportion of indoor workers in distress at a time of wide-spread unemployment far exceeds that of outdoor workers. The proper development of relief resources making use of indoor employments, therefore, becomes a matter of special importance.

(b) THE RESPECTIVE SCOPE OF RELIEF EMPLOYMENT THROUGH

i. Public Authorities

If public improvements are planned in line with the recommendations made above,* it should be possible to absorb a large proportion of unemployed male labor of the city fit for heavy outdoor work upon projects of permanent improvement at the customary wages and under normal conditions. Since in this employment there is a careful selection in accordance

* *I. e.*, so that an employment reserve is created which may be drawn upon more heavily when employment conditions are abnormal. See page 32 *et seq.* above.

with fitness for the work, and since only those projects will be advanced which under the circumstances of the season can be pushed without additional cost as compared with their execution at other times of the year, there may be a margin of unemployed men accustomed to outdoor work who, owing to lacking efficiency or owing to inability to employ all on regular public works, remain without work, though desperately in need of work to maintain their families.

The question is whether, in addition to the wider policy advocated, the city can relieve the distress of these men by undertaking relief works with that special object in view. We believe this would be exceedingly difficult. In the first place, if the more efficient men were engaged upon ordinary contract labor and the city made special efforts to increase the volume of such employment, it would seem to put a premium upon inefficiency to provide at the same time emergency jobs upon which the same standards of service could not be enforced. The city would be in the dilemma either of paying the same wage for inferior services or of paying less than the customary wage for the class of labor undertaken, thus practically entering the ranks of relief agencies.

There are many who believe that the city authority has the responsibility of providing relief in the form of work for wages to all genuinely in need of it. But it is at least doubtful whether it has any power to assume such a responsibility, even if it were willing to recognize it. Though the existence of such authorization is strongly disputed by the comptroller in the passage already quoted (page 35), the city does on a very small scale and for a definite, not purely charitable purpose, provide a work test as a condition of benefit at the Municipal Lodging House. This test, however, is very different in character and purpose from any employment at wages that would be offered if men were to be assisted to maintain themselves and their dependents, partly by their own work, for periods extending over several weeks.

At one of the hearings held by the Committee, the head of one of the largest relief organizations which during the last unemployment crisis provided relief employment under exceptionally satisfactory conditions, expressed the view that all relief employment at a time of crisis should be undertaken by the city, leaving the relief agencies free to devote their energies to other forms of relief. He thought the only legitimate form of public relief was the appropriation of money for the improvement of public properties. But this is exactly one of the things the city cannot do except through the regular channels and with the regular methods. It looks, therefore, as though, for practical purposes, apart from small work-tests which may be paid for by food and lodging, the city is unable to provide relief employment at all.*

The experience of American cities which have provided municipal relief employment, and more extensively that of the municipal distress

* This impasse can, to a large extent, be avoided, if the city, and more especially the state and nation, should adopt the method of planning its expenditures on permanent improvements over a period of years, so that each normal year a certain variable percentage of such approved projects were set aside to be undertaken in times of abnormal unemployment, as has been suggested elsewhere in this report.

committees set up under the British Unemployed Workmen Act of 1905, clearly shows that, in spite of their being under public auspices, these opportunities for employment

"fail to attract the best type of the unemployed. The deserving, strong, useful workmen, temporarily out of work, for whom the Act was undoubtedly passed, are not reached. For the most part, the operations reach only those deficient in physique or capacity to work.*

"But even in the most suitable of occupations, the atmosphere of municipal works, *whenever men are taken on because they are unemployed*, and are not picked out and engaged at wages in the ordinary way because they are the best available men to execute a task that is required for its own sake, was invariably found to be enervating and demoralizing. It is not in human nature to put forth one's full strength in work which is different from that to which one has been accustomed, and which is known to have been artificially created more as a means of occupying the men than for its urgency; in an employment, moreover, from which dismissal is practically impossible."†

A summary of municipal and state experiments in providing relief employment during times of abnormal unemployment, in the report of the Mayor's Committee on Unemployment, January, 1916, gives numerous illustrations of this fact from other countries.‡

ii. Relief Agencies

Although many relief organizations, notably the Association for Improving the Condition of the Poor, have made employment for wages one of their methods of relieving distress, their efforts in this direction never have been or can be a satisfactory answer to the question, "Who is to provide the unemployed workmen with jobs?" Obviously, a man must be very hard on his luck before he will apply to a relief society. It is a last resource which he will seek only after every possible step has been taken by him to find support for his family, and often after intense and prolonged suffering has already partly incapacitated him for good work. This attitude may be a mistaken one; the relief societies themselves are doing much to fight down the popular misconception as regards their aims and functions. They would gladly help a man to retain his self-respect by working for his living at a made job if no others could be found before he is completely broken down.

But the popular disinclination to go to a relief organization for help of this kind has its social value. It means that the jobless man will not admit that he is helpless and in need of charity so long as he can possibly hope to survive the hard times in some other way. It means that the average man is capable of retaining his manliness in spite of adversity and of keeping up the fight for a living until utterly exhausted. The relief of those in-

* "Unemployment and Farm Labor," Appendix II, New York State Commission on Employers' Liability.

† Minority Report of British Poor Law Commission, 1909.

‡ This stricture does not apply to certain limited undertakings by American cities in 1915, wherein employment was given on public works which were necessary but advanced in point of time, and which were executed under normal conditions except with regard to such advancement.

capable of self-help and the provision of self-help opportunities cannot easily be united as two functions of one organization because the man in search of work will not recognize any affinity of his problem to that of the helpless applicant for charitable aid. Of course, he actually does accept charity in accepting a "made" job, as has already been pointed out; but it is significant that at a time of general distress large numbers of men demanding the right to work always appeal to those in authority whom they consider responsible for their plight or responsible for keeping the wheels of social life going, and never to those who represent the charitable public in efforts for the relief of distress.

Members of relief organizations have expressed to the Mayor's Committee their belief that this attitude of the public is an unreasonable one and that to give way to it would only reproduce the same problem in a different form at some future time. The right thing to do, in their opinion, is to override prejudice founded simply on the fact that organizations offering relief employment also provide other forms of charitable relief. We cannot entirely accept their view. Even if popular opinion in this matter were erroneous, it has to be reckoned with, and experience has shown that a time of general distress is one in which the education of the public in such a matter is well-nigh impossible. If public officials and leaders in philanthropy were to insist at such a time that the relief organizations are the only proper agencies for administering relief employment, they would only encourage new movements for providing without previous experience or organization all sorts of inefficient, and sometimes socially harmful, charitable work opportunities.

iii. Other Philanthropic Organizations

"The most significant fact about recent measures for the relief of the unemployed," says the Mayor's Committee on Unemployment in the report already quoted, "is the general dissatisfaction with large central relief funds."

Emergency Organization Undesirable.

Organizations created for the special purpose of providing relief employment in an emergency have almost without exception proved an obstacle rather than a help to the efficient mitigation of the distress occasioned by abnormal unemployment. Having neither the experience of established relief organizations, nor the public confidence enjoyed by municipal authorities, they are apt to diffuse their efforts in a hundred ways, to attract, by the advertisement of their undertaking, the least suitable class of applicants for relief employment, to repeat mistakes without learning from the experience of previous similar enterprises, to be wasteful in overhead expenditure and too parsimonious in the wages offered to the unfortunates seeking their aid.*

A general criticism such as this cannot, of course, be applied with equal severity to all such endeavors. But there is nothing in past experience,

* Workshop "wages" were generally of this character during the crisis of 1914-1915.

or in the view of those most able to judge, to encourage the hope that at a time of abnormal unemployment it is possible to set up a new body which will efficiently and promptly provide the relief employment which public authorities and established relief agencies are unable to offer.

The Mayor's Committee in 1914-1915 established twenty-two work-rooms giving employment at times to no less than five thousand persons daily. In so far as this effort was successful in giving employment to those most likely to be benefited by such work opportunities, the success was almost entirely due to the cooperation of various social institutions and organizations and of persons having considerable knowledge of the classes dealt with and experience in work organization. The results obtained suggest that emergency relief employment on a large scale, if necessary at all, had far better be organized by the cooperative enterprise of existing organizations than by the creation of a new one.

Of particular importance in this connection is a more intimate acquaintance with the individuals to be helped and a more lasting effort, beyond a merely arbitrary period of relief employment, to assist them back into a normal vocational life and to watch over the welfare of their families. This is impossible with a huge central body temporarily appointed, and, apart from relief societies with large experienced staffs, can best be accomplished by the joint endeavor of smaller organizations which are already in touch with the needs of neighborhoods restricted in area and have excellent facilities for throwing, at a time of general anxiety, their personal and financial resources into a general scheme with carefully divided responsibilities.

We do not advocate that relief employment should be made a permanent feature in the work of churches, branches of the Young Men's and Young Women's Christian and Hebrew Associations, social settlements, and similar organizations. It should not be a permanent feature of the city's machinery of social welfare—except for a small, easily defined class which is best dealt with by specialized organizations such as the social welfare departments of the chief relief societies and the Salvation Army, the "Goodwill Industries," or the late "Committee on Social and Industrial Welfare of the Unemployed."

But in an emergency the thoughts of social workers and of others interested in the welfare of their neighbors naturally turn in the direction of possible relief activities; and it is well that the sympathy with undeserved distress where it is keenest and most enhanced by knowledge and experience should not be wasted but placed at the service of a city-wide system of relief. We agree with Mr. W. Frank Persons, late Director of General Work of the Charity Organization Society, who said at one of the hearings held by the Committee:

"It seems to me that the public should be urged to continue its support to all the different kinds of social activity that it normally supports, in a time of crisis, but more generously—not to give to a single large relief fund, but to all those things people have been in touch with before; that is, to keep them supplied so that they can meet the excessive demand upon them. . . . It seems to me that it is perfectly possible to secure reasonably adequate help for families in need if there is this needed expansion of the resources of the work of existing agencies in a time

of crisis, and that the expansion of the resources of the existing agencies will much more adequately meet any situation that exists than any temporary relief that can be established. I believe there should be cooperation between existing agencies in times of a crisis. They do draw together in normal times, but they will draw together more effectively at a time of crisis. . . . I think it is a perfectly safe assumption that any agency given adequate funds could double its work and secure reasonably satisfactory employees to carry out this work."

Advantages of Decentralized Agencies.

The United Hebrew Charities, during the last unemployment crisis in New York, raised a special fund for indirect distribution through small loan and mutual benefit societies which knew their members a good deal better than any relief society could know them. As a result of that experience, this large relief agency has since used its influence in promoting a credit union system among these small organizations with a view to making use of neighborhood knowledge and to diffusing relief through a hundred channels in close touch with individual persons and families instead of one having no knowledge of them prior to their application for aid.*

Why could not this principle be enlarged and applied to every form of emergency relief, including the provision of work opportunities? We believe that the attraction of undesirables, complained of so generally as a consequence of centralized emergency employment, can in this way be entirely eliminated. We further believe that the nature and conditions of work can be more closely applied to the particular needs of the beneficiaries if localized. There is no reason, for instance, why there should be absolute uniformity in the work, hours of labor and wages of emergency jobs for residents in the Jewish Lower East Side and, say, for those of a district exclusively inhabited by Italian longshoremen and general laborers.

While there must be, in the interest of efficiency, sufficient coordination to avoid overlapping, cooperation of existing agencies, willing to take up this work should an emergency occur, is as likely to achieve the desired object as a strong centralized control of work opportunities created from a central fund with the consequent discouragement of local and spontaneous effort. An agency being part of a city-wide cooperative emergency organization and responsible for some definite part of the philanthropic endeavor to cope with the emergency in the city, would be less likely to attempt the impossible, to experiment in enterprises contrary to the advice and approval of the leaders in social work and thought, or to duplicate the action of some other agency in the same locality.

Large Scale Enterprise Unessential

The objection may be made that relief employment must be undertaken in enterprises of a considerable scale in order to reduce overhead

* At the time of going to press, there are at least twelve of these Jewish credit unions. The Emergency Loan Fund Committee, created by the United Hebrew Charities and other Jewish agencies at the time of the last unemployment crisis, is still in existence and makes individual loans to persons who cannot obtain them through other connections. But as the credit unions increase and become more established, it is hoped that the Committee may eventually be able to cease its direct operations altogether.

expenditure and cost of material and to be able to engage the services of the most capable managers and superintendents. We do not believe that this argument is a sound one. In the case of permanent institutions, much is to be said in favor of large-scale enterprise so that a first-rate permanent staff may be kept adequately employed, materials be purchased in bulk, the best equipment be afforded, and methods be standardized. But in the case of emergency employment, everything almost is in favor of enterprise on a small scale. There is no opportunity of preventing malingering except by close supervision which is possible only with small gangs of workers and in small workshops. Premises must be obtained where they can be secured on a temporary basis, without delay, either free of cost or at a low rental, and smaller premises are easier thus to secure than large ones. Costly equipment is prohibitive, anyhow. The cost of material can be reduced, if need be, by cooperative purchase of a number of agencies.

But the chief advantage of carrying on work in a number of small places is that it can be so diversified as to adapt it more closely to the abilities of those put to work. There is no reason, moreover, why the localization of relief employment which we advocate should lead to excessive decentralization; each unit may be as small or as large as expediency demands; and in some cases, several agencies may cooperate in setting up work opportunities which each alone may not be able to provide on an adequate scale.

The separate appeal of men and women permanently engaged in social and charitable work, each to people personally interested in the work of the particular agency, is likely to result in larger financial support of emergency activities than an appeal issued by a central body, however influentially backed. There will be more scope for the useful employment of voluntary workers in assisting with the maintenance of personal relations.* There will be less need for harsh and inflexible rules as regards hours of attendance. There will be more opportunities for studying the relief needs of a family as a whole and less temptation to treat all applicants alike and in the mass rather than as individuals with individual problems and capacities.

Neighborhood Cooperation.

The Mayor's Committee, in the winter of 1914-1915, in cooperation with the Interchurch Unemployment Committee, carried on a "good neighbor" movement, requesting citizens, through an extensive publicity campaign, to make themselves responsible for the relief of unemployed families in their own neighborhood whose names were sent them, on application, by a central committee. Emphasis was laid on the desirability of cooperation with some particular social agency in the neighborhood, so that the services rendered to the individual person or family might be carried on as long as necessary, thoroughly and in accordance with the best obtainable advice on the problems involved.

* The Mayor's Committee in 1915 enlisted the support of many such volunteers in the supervision of the workshops themselves, as well as in other capacities.

This effort, like many others called into being at short notice and introduced by newspaper and placard publicity rather than by a more careful education of well-disposed persons through the organizations to which they are affiliated, remained rather useless and ineffective. But it does seem to embody a few of the principles of effective emergency relief which are advocated by experienced social workers; sympathetic individual interest, co-operation with professional social workers and relief officers, flexibility, attention to family needs rather than those of the individual alone, possibility of continuity, and gradual evolution of a recognized system with high standards of service.

While the practical failure of the "good neighbor" movement in the last unemployment emergency is conceded, we believe that a carefully prepared cooperation of existing neighborhood agencies, making use of such voluntary help as is available and can be used to advantage, would be a promising agency for the organization of emergency relief. If a central bureau of information, such as we have recommended, were to be established, one of the first pieces of work in which it would engage would be to make an inquiry among existing social agencies of all kinds whether they would be prepared, in the case of abnormal unemployment through unforeseen causes, to cooperate in a city-wide scheme of emergency relief, what kind of services in this connection they would be able to render and what kind of professional and voluntary workers they would be likely to put into the field.

In short, in the same way as defense societies and official departments in their preparedness programs count up the automobiles, railroad trucks, horses, yachts, hospital beds and blankets they can rely upon as available in the case of sudden need, so a central agency under municipal control should be in a position to work up a skeleton scheme of emergency relief, including work facilities, in which not only the large relief associations, but also the smaller and more locally operative agencies would take their proper place.

There is at times not a little contempt on the part of professional social workers engaged in large scale relief operations for the more amateurish efforts of paid and voluntary workers in smaller societies and institutions. The criticism which has been made of the emergency activities of such agencies at times of abnormal unemployment, often are fully deserved. All sorts of plans for relief by offer of work and the distribution of food, clothing and other aid are entered into without sufficient examination of the ultimate results of such operations, without study of the best methods, without adequate resources, sometimes without taking notice of similar efforts made by others in the same neighborhood among the same people.

We believe that such spasmodic and unpremeditated efforts at relief of obvious distress and want in the neighborhood will always be made when that distress and want arises. But they need not be so unsatisfactory and contrary to the best principles of relief as often they have been in the past, provided a general plan of action for dealing with the emergency whenever and wherever it may arise, even if not fully worked out in advance, were in

existence at least in embryo in some central office and included rather than discountenanced these efforts of local workers who are personally acquainted with some limited area or neighborhood. Such a plan would take account of the wishes of each agency desirous of being included as to the part to be allotted to each agency. The central office would not necessarily be compelled to adhere to the individual desires of the several agencies in this respect. It would rather, by conference, explanation and, where necessary, a little educational pressure from the better upon the less informed groups, seek to coordinate all the resources of the city in a uniform preparedness program.

Participation in a scheme for the preparatory organization of emergency relief employment, in so far as that is possible, on the part of all sorts of organizations and agencies interested in the problems of family welfare, is not a very complicated form of cooperation. But, as we shall see later, a similar coordination of forces already in the field is equally desirable for an intelligent organization of other branches of emergency relief. Miss Mary E. Richmond, in a memorandum submitted to the Committee, says:

"The main problem of relief work in periods of industrial depression is not, I believe, the collection of funds, or their protection from fraud and imposition; the main problem is how to avoid such a congestion of applications at any one or two points as to defeat the very object of relief, which is the prevention of unnecessary suffering. My study of emergency measures has convinced me that the whole community, acting through its natural and varied channels of neighborhood, trade, social and personal contacts, must get under the burden—that is, the burden must be distributed if it is to be borne."

She further expresses the view, which we endorse, that in the distribution of the burden, fraternal, trade, neighborhood and religious organizations should take the first place, and family and relief agencies—that is, the large, established societies for organizing charity—the second place.

"These latter should expand to deal as adequately as possible with the unbefriended residents for whom no more natural exit can be found."

iv. Trade Unions

It has been suggested that relief employment in the nature of shops run by trade unions for their unemployed members might become a substantial contribution to the machinery of relief employment. Such work would be more acceptable to self-respecting wage-earners than employment on a purely charitable basis. We doubt whether the underlying contention is correct that workingmen prefer to be indebted to their fellow-workers rather than to outside philanthropists. If relief employment by trade unions could be made self-supporting, the question of philanthropy would not, of course, come in. But is it probable, at a time when so many members of the unions are out of work, that special measures of relief become necessary—a time, that is, when the trade in which these workers are engaged is

unusually slack—that trade union officials inexperienced in industrial management, without equipment and without adequate premises, will be able to carry on a self-supporting productive industry while their normal employers have been obliged to reduce operations or even to shut up shop? It is most improbable, and no recent examples have come to our knowledge of such a scheme being successfully applied. If the operations were not self-supporting, then the beneficiary would either accept the charity of his fellow-members or he would permit the union to fall into debt or to draw upon funds for his special benefit which are normally devoted to other purposes.

We do not believe that it is likely that trade union members will prefer to weaken the financial position of their union to receiving outside aid if in such straits as to be unable to help themselves; though, possibly, they may prefer to accept aid from their friends rather than from strangers.*

Miss Richmond has included trade organization among the agencies in close touch with individual wage-earners in distress, who should share the task of emergency relief. But neither she nor others asked have any very practical scheme of making relief employment a function of trade union activity, whether with or without public or philanthropic subventions. On the whole, we are inclined to believe that where a union is able to make provision of this kind for its members, its efforts should receive every encouragement, but that the preparation of a program of relief employment by trade unions cannot, at present, be made a substantial part of a preparedness plan.

In certain industries, where employers seemed needlessly conservative and lacking in enterprise, it might be possible for a union to hire from them premises and the whole outfit necessary for production on their own account. But we doubt whether many employers would be willing thus to create competitors for themselves, or whether many unions would be able to run an industry without the experienced management and business staff employed by private business. Further, so many troublesome questions of wage claims and discipline would arise that success in the operation of such enterprise would be extremely unlikely.

There are, of course, various services and lines of production in which trade unionists entering a plan of self-employment during a time of exceptional slackness of trade would not necessarily compete with their usual employers, and would, to a certain extent, be independent of the lack of enterprise or purchasing power in the community generally.†

* In this connection, it is worth noting that, in the experience of the larger relief organisations in the city, many individuals apply for aid from a large, impersonal body who would not dream of bringing a similar request before a smaller organisation in their own neighborhood, not to speak of their own relatives, friends and fellow-workers.

† As a random suggestion, we might point to the exceedingly unsatisfactory housing of most of the trade union offices in the city. If loans could be raised on the strength of securities held by a number of unions, it might be possible to employ hundreds of men engaged in the building trades on the construction of a large central office building for trade unions in the city during the next severe depression in that industry.

Again, it might be possible for a trade union of outdoor laborers to contract for the demolition of buildings, paying its members, if not at the normal trade union rate, at least a living wage while unable to secure for them work with private employers at standard wages.

We believe that the chance of successful self-employment by members of trade unions would be greater if organization were more on industrial lines than it is in the United States; that is, if more of the different grades of workers engaged in an industry were organized in the same union, so that a practically complete working force for a productive enterprise could be assembled by a union.

X

RELIEF EMPLOYMENT (2)

Relief of distress resulting from unemployment should as far as possible be given in form of employment. Industries suitable for emergency workrooms. Experience of Mayor's Committee and of permanent institutions. Unlimited possibility of extension. Suggestions for profitable enterprises cannot well be made before emergency arises. Systematic management desirable. Supplementing wages from other relief resources.

Relief employment not industrial training. Industrial training, in abnormal unemployment, not required by majority of applicants for aid. Wages should be paid daily, at hourly rate. Cooperation of organizations maintaining workrooms during emergency by creation of central committee and regulation of wages, purchases, output, etc., desirable.

Temporary facilities for gardening provide healthful occupation and income. Not in competition with normal employment. Produce which can be grown on vacant lots may be material. Educational assistance necessary.

(c) EMERGENCY WORKSHOPS

Nature of Possible Enterprises

As mentioned above, it is probable that indoor employment will, in any future unemployment emergency in New York, have to play a larger part in the relief of distress than outdoor employment. It is for this reason important that the best methods of providing it should be studied in advance. The exact nature of the enterprises which might be undertaken or their relative scale cannot be determined in advance, because both must depend largely on the circumstances of the particular occasion. We must content ourselves with laying down a few principles upon which the organization of emergency indoor employment should proceed. In this matter we have the benefit of past experience, both in New York and in other cities.

"Under what circumstance should relief be limited or partly given in the form of wages for work?" was the first of a series of questions on this subject submitted by this Committee to a number of experts in the relief of unemployment. There seemed to be general agreement that where the giving of relief is unavoidable it had best take the form of wages for work unless there were special reasons for preferring other methods of giving. Thus, Mr. Edward Buss, efficiency consultant of the Goodwill Industries in Boston, told the Committee:

"We believe thoroughly that we should go just as far as we can in having the person try to earn an equivalent for what is given to him. If too many folks come on too small a floor space, they cannot succeed in doing that. So we commence taking bags of shoes from one floor to another so as to give the appearance of giving

them work. The reason for that is that we are maintaining and building up the self-respect of the individual and training him to do something, so that he is much less likely to be in the class of the unemployed at any later date."

We have already touched upon the impossibility of providing, in an unemployment crisis, work opportunities which will not sooner or later compete with those of normal business. And we have pointed out that this in itself does not necessarily condemn relief employment. As a rule, however, it has been found possible to organize relief work which may be considered so far aside from normal business that the competitive element is very small and indirect. Thus, the majority of the workshops run by the Mayor's Committee in 1914-1915 were devoted to the rolling of bandages and the manufacture of other surgical supplies which were donated to local hospitals or war relief organizations in Europe. Of course, these bandages and supplies would have had to be made anyhow either in this or some other country; but since the demand for them arose from the same emergency which indirectly caused the unemployment, it was perfectly legitimate to earmark their manufacture for philanthropic employment outside of normal business.

Other shops engaged in chair-caning, simple cabinet making, cobbling, weaving, basketry, manufacture of toys, and every conceivable kind of repairs to clothing and household articles. The danger of competition with other philanthropic agencies rather than with business enterprise here had to be avoided as far as possible. In the sewing rooms, women's and children's garments of many kinds were made; but none of the articles manufactured were sold in the open market. In so far as they were not engaged upon and paid for services to one another, the unemployed men and women in the workrooms provided supplies for institutions supported from charitable contributions; and a small amount was sold to charitably inclined friends of committee members and volunteer workers.

In recent years, the development of permanent institutions for aiding persons of both sexes incapacitated for remunerative employment in private occupations for various personal causes has given rise to a number of interesting experiments in relief enterprise which have a direct bearing upon the emergency problem here under discussion. The Goodwill Industries, the workshops of the Salvation Army and other charitable organizations, deal with an entirely different problem. But they also have to face the difficulty of securing a trade which is more or less non-competitive, which can be taken up and abandoned without much loss from non-use of valuable equipment, which is suitable for employing at a living wage numbers of persons with a great variety of vocational experience, skill and dexterity, while at the same time keeping the cost of relief, including these wages and all overhead expenses, at a minimum.

Possibilities of Expansion

A good deal of inventiveness and ingenuity has gone into the creation of these industries. One of the special endeavors of this Committee has been to inquire to what extent they may be expanded at a time of excep-

tional need. The Rev. Edward F. Sanderson,* Manager of the Goodwill Industries in Brooklyn, told the Committee that the possibility of expansion was largely one of increasing subsidies as less and less remunerative work had to be included in the operations.

Another witness drew attention to the fact that in some instances the cost of production per worker could be actually reduced by putting on more men; because some profitable processes—such as a more thorough sorting and grading of material for the manufacture of paper—are only possible with an equipment and enterprise of a certain size. Colonel E. J. Parker, Social Secretary of the Salvation Army for the Eastern Division, said it was impossible to generalize in advance on the nature and extent of the industries which could profitably be undertaken in the next emergency. There was not, however, in his experience any limit to the possibility of extension. Each emergency brought with it many suggestions of profitable enterprises which could not be thought of beforehand; and new ideas were being worked out as men of intelligence and imagination devoted themselves to the problem of providing work.

It is interesting to recall that the remanufacture and utilization of household wastes, never commercially attempted on any considerable scale, has created one of the largest relief industries for the unemployed. The manufacture of artistic toys, rug weaving after antique patterns, etc., are other instances of the creation of new industries.

There is no doubt that it is possible, in spite of the limitations in the choice of employees, to make such industries effective business organizations, as systematic in their methods of purchase, sale and management as any commercial private enterprise. It is possible to exercise a good deal of discretion in the allocation of workers, even if it is not altogether possible to exercise it in their choice. Wages usually have to be paid daily if the less satisfactory method of advances from weekly wages is to be avoided; and must, of course, be sufficient for the maintenance of at least a single person. Where the worker has a large family dependent upon him, it will be necessary to supplement his wage from other relief resources. We believe that this is a better method than differentiating wages with the needs of the workers engaged upon the same work.

Neither Industrial Training nor Work Test

Relief employment is not a training given to unemployed persons to make them more efficient. Although it may be used effectively to increase the general dexterity and intelligence of certain persons, it must be remembered that it is primarily intended for the relief of persons who have fallen out of work not through inefficiency or any other personal causes, but from economic causes unconnected with their personal characteristics. The persons for whom, in our general outline of relief resources, we have scheduled relief employment as a suitable form of charitable aid, as a rule will belong to the unskilled rather than to the skilled classes, they will be among the

* At present, Director, Peoples' Institute, New York.

less provident and, possibly, the less trained. But their ability to return to their old employment will only to a slight extent depend on such increase of efficiency as training at a made job during a short period can possibly give. So far as the immediate emergency and its termination is concerned, industrial training will be of little or no help in re-creating for them opportunities of self-support.

For the same reason, emergency relief employment cannot be used merely as a work-test. It is the nearest that can be found to a normal chance to work for wages, and as such should be continued as long as the need for it lasts. Work-tests, under the best of circumstances, are of doubtful value. If a man be registered with a trade union or public employment office as willing to accept work under normal conditions on reasonable terms, that should suffice to establish his bona fides. It is not necessary further to test his eligibility for relief by making him undergo a work examination, as a rule quite unsuitable for his faculties and social position. Only if he refuses relief employment of the kind here contemplated, it may be necessary, before allowing him other aid during the continuance of his need, to examine by some additional means, perhaps by a work test, the genuineness of his endeavor to secure work.

Since wages cannot, for the reason stated, be based upon output, it is best to make them on an hourly rather than a piece rate basis. But in order to recognize special industry and to give an incentive to good work, it might be worth while to supplement the time wage—representing the barest living wage—by a weekly bonus or other financial stimulus. It goes without saying, after what has been said, that the basic rate for men and women must be the same.

We believe that both the selection of workers for relief work and their dismissal should be a function of the organization or group of organizations which undertakes the industry, not of any central organization. But they should be induced to cooperate so closely with one another and with the public employment bureaus that uniformity of method is insured. For instance, it would not be wise to place workers from the relief workshops except through the medium of one of the public or other non-commercial employment agencies. The same wage should, as far as possible, be paid for the same work, and methods of home supervision and maintenance, vocational guidance, supplementary charitable aid, etc., be regulated as far as possible on common lines approved by the most experienced authorities on these matters.

There is no doubt that for this purpose a representative central committee must be created; but there is no need for it to be in permanent existence; it can easily be created by calling together in conference the organizations which previous to an emergency had signified their willingness to take part in a city-wide system of unemployment relief and were entered, as we suggested, upon the preparatory skeleton plan of a central bureau of information. Several of the agencies chiefly interested in relief employment already have expressed to the Committee their willingness to take part in such a cooperative effort, should the occasion for it arise.

(d) CULTIVATION OF VACANT LOTS

Of the various possible forms of outdoor employment in relief of abnormal unemployment, those having for their purpose some permanent improvement are, of course, preferable to those which merely endeavor to set to work one gang of men to dig a trench in order to be able to employ another to fill it up again. But even more than in indoor employments, the difficulty of providing non-competitive employments is well-nigh inseparable. There is no improvement which, if desirable, would not sooner or later be carried out by commercial or public enterprise employing labor at the customary rate of wages. The only exception to this general statement would be improvements which, though desirable in the public interest, the public cannot afford to pay for at normal costs, and which philanthropists, therefore, may be willing to provide if by making such gifts to the public they can at the same time contribute to the relief of the distress prevailing in the city.

There is, however, one form of outdoor employment which only very indirectly competes with labor employed at normal wages, and that is the self-employment of unemployed men on land for the purpose of growing food for the sustenance of their own families. An endeavor to create vacant lot gardens in various parts of the city during the last unemployment emergency unfortunately did not mature in time to be of material benefit. Though among the measures which we recommend only as last resources after more important preparatory organization has either failed or been found to be inadequate, the effective provision of such gardens must be thought out and planned beforehand. Both in this country and in Europe, many experiments—and in some cases an experience of many years beyond the experimental stage—have demonstrated that the produce which it is possible to grow from even a quarter of an acre and less may be of considerable economic value.* In the case of workmen thrown out of work though physically fit, this enterprise makes use of labor costing nothing, the labor of the unemployed workman for his own benefit.

By judicious assistance in the preparation of the soil, educational supervision, the giving out of seeds, manures, and plants, philanthropy can help men to replenish their larder for weeks without recourse to charitable aid for the purchase of such foods. At the same time, they will be employed upon stimulating and agreeable work which is neither degrading nor making demands upon the individual which are either too great or too small. Each worker can employ upon his lot as much skill, knowledge and muscular effort as he possesses and reap the whole benefit from his exertions.

We do not believe that in a great city like New York the cultivation of vacant lots can ever become a measure of wide importance affecting many thousands of families; but so far as it goes, this method of relief employment is a desirable one and may with advantage find its place in a program for emergency relief.

* The notable success of the "war gardens," not only in this country but even more pronounced in England where the movement has assumed enormous proportions, and the accumulated experience of the older Vacant Lot Cultivation Societies, have proved, beyond doubt, the great economic importance of this form of enterprise under enlightened leadership and organization.

XI

OTHER FORMS OF RELIEF

Three dangers in relief of unemployment: Grants made to wrong people, grants made by wrong method, inadequate grants. Need for understanding of individual problems before grant is made. Mistaken notion that inadequate does not pauperize while adequate relief does. Inadequate relief means physical and mental deterioration. Examples of injudicious selection of forms of relief. Impossibility of entirely suppressing these in times of general suffering.

Creation of new funds injures existing relief societies better equipped for the task. Authoritative support of these societies needed to guide the benevolent at times of crisis. Value of newspaper funds. Inadequacy of total funds subscribed during last crisis. Proportion of funds expended in material relief not a proof of efficiency or economy. Investigation, advice, establishment of contacts and other non-material aid important. Experienced administration is not inquisitorial but prompt, and the most helpful. Decentralization of relief by use of neighborhood agencies for distribution of funds subscribed to large societies. Trade unions not good agencies for distribution of charitable relief generally, except to own members.

Relief in form of food nearly always undesirable and harmful. Bread lines only justified as method of relief in sudden city-wide calamity. Should be abolished. Soup kitchens not much better. Food given in supplementation of other forms of relief may have social value. Good results of food given at emergency workrooms. Schools should be excluded from relief agencies. School luncheons a question of educational expediency, not of relief of destitution.

Experience of "bundle day" organization unsatisfactory. Discrimination and relation of charity to need of whole family necessary. Clothing given in connection with other forms of aid may be of advantage, doubtful if an isolated charity. Provides opportunity for participation in relief of those unable to contribute financially. Must be given at the beginning of winter.

Problem of eviction. Severe drain upon resources of relief societies. Active preventive effort apt to encourage landlords to insist on full payment of back rents. No specialized effort to deal with evictions desirable. Local pressure by smaller relief organizations on landlords should accompany relief payment of rent due.

Emergency shelter provided for homeless men during unemployment crisis often undesirable in character. Difficulty of distinguishing habitual vagrant from bona fide workmen in search of employment. Evil results of "passing on" of vagrants. Recommendation of conference of Mayors not endorsed. Difficulty of combining in same institution provision of shelter for homeless workmen and human repair shop for shirkers. Municipal Lodging House must be either one or the other. Accommodation offered by it not suitable for young boys and girls for whom more protective form of shelter must be provided.

Proper Limits of Charitable Aid in a Complete Program for Relief of Unemployment

The importance of direct charitable aid in relief of unemployment, if our various suggestions were adopted, would be inconsiderable. Assuming their adoption, the part played by outright charity would be only that of supplementing the wages earned at relief work in the case of large families and of assisting those in distress through the indirect effects of the unemployment emergency and looking for work, though not themselves best helped by employment opportunities.

But, as has been said before, it is not safe to expect that when the next emergency arises the problem for charity will be thus limited. It is most unlikely that an insurance system under which the great majority of workers will receive a benefit sufficient to maintain them and their families during the period of their unemployment will be in existence. The part played by emergency employment, among other methods of relief of unemployment, may be considerably greater than it has been in the past, but it is unlikely, when the next emergency arises, that it will cover the whole field. We, thus, have to continue to count upon charitable aid, pure and simple, as a necessary element in a program for meeting abnormal unemployment.

Three dangers more especially have to be avoided in the administration of direct charitable relief of unemployment: that the wrong people are assisted by this method—*i.e.*, those who have no claim whatever on assistance on the plea of unemployment, and those who, though unemployed, can best be aided by some method calling forth an effort of their own;—that people are helped inadequately; and that help is given in a form injurious to self-respect, maintenance of family life, or other important social assets.

While some relief organizations have paid a great deal of attention to these difficulties and have, within their means, largely succeeded in getting rid of the worst abuses and misuses of charitable funds, there is still too much neglect of sound principles of relief among other organizations and in the community generally, especially at a time of severe and wide-spread misfortune. We may be excused, therefore, if quite briefly we recapitulate some of the more important points to be observed in this connection, though they are well known to many of our readers.

First, without a real understanding of the particular problems besetting an individual, it is impossible to help him adequately, however large the alms we may bestow on him. Second, without an understanding of the problems and circumstances of his home life, especially of those dependent on him or on whom he depends, we cannot fully realize the extent and nature of the individual's liabilities. Third, while "half a loaf" is sometimes "better than no loaf at all," in the great majority of cases the dealing out of half loaves is merely the result of mental indolence and harmful to the recipient.

There is often a mistaken feeling that the individual is not pauperized by being given rather less help than is manifestly needed to support him and his dependents, the amount given not being arrived at by any clear estimate of need. He is obliged, those reason who adopt this policy, to help himself at least to some extent. But, as a matter of fact, the individual is encouraged by this policy to obtain by every device of which he is capable, charitable aid from a number of sources, succeeding in doing this because those who hand out charity unrelated to the real needs of an individual or family obviously have no particular incentive to make a close investigation of his other resources.

Where pauperization does not result from inadequacy of relief, there often ensues extreme suffering and physical and mental deterioration which permanently cripple once healthy human lives. Giving just a little less than the amount required to support the home in physical efficiency and

decent comfort is a costly form of charity; it means that the children are underfed, that the decencies of home life are neglected, that careers are interrupted and spoiled, that established standards of well-being are undermined. The little extra help which the family is expected to be able to raise by appeals to friends, storekeepers' credit, odd jobs and the like, either is not forthcoming or else secured in a form even more injurious to self-respect, social status and industrial career than the acceptance of more complete assistances from a charitable agency.

These forms of aid are thoroughly destructive of the finer social tissue which insist on treating the unemployed worker as a needy individual, not as a member of a community with definite family and social responsibilities, which, for instance, provide with food for himself a man who ought to be supporting a whole family, if not by his exertions then by such aid as he can obtain from society, or which gives a bed in a lodging house to a woman who ought to be at home supported by her husband.

Of the various forms in which relief was given during the last crisis, and which must make up the program for meeting a future emergency, we will first consider

(a) The Financial

The great bulk of financial aid will come from the organized relief agencies in which wealthy philanthropists and the public generally have a confidence which is justified by services rendered in the past. The demands on these societies, in New York as in other cities, notably Chicago, during the last crisis, rose to so high a figure that herculean efforts were necessary to raise funds to enable the giving of relief in accordance with the established principles of these agencies.

An unfortunate phenomenon (which is liable to recur under similar circumstances) was that new agencies springing up for dealing with unemployment and new funds created for their aid absorbed a good deal of the extraordinary financial contributions which these established societies had a right to expect from the community in support of their efforts. It is for this reason that the wisdom of many of the popular appeals made during that time must be seriously doubted.

The Mayor's Committee itself might have done more than it actually did to direct attention to the need of these agencies for substantial, additional funds. Newspapers which were able to collect large sums for the relief of suffering might, without damage to the public recognition of their own services in this respect, have enlisted the cooperation of experienced administrators of relief in the selection of the beneficiaries to be aided;* or, better still, have urged their readers to contribute directly to these societies. Above all, the total amount collected and distributed to prevent actual starvation and the disintegration of family life was not nearly enough in spite of the enormity of the funds which were actually disbursed in relief.

* Some of the funds raised by leading newspapers for Christmas charities, have, in fact, been administered in this way. Certain of these newspapers make a practise of referring applicants for assistance and turning over funds collected to some of the established societies.

We do, of course, believe, that with the adoption of more adequate preventive and permanent machinery for dealing with unemployment crises, the total sum which it is necessary to distribute in financial aid ought to be much smaller than it has been in the past. But, whatever its size, it is of the greatest importance that it should be administered so that the greatest amount of good is done with a given expenditure.

In this connection, it may be worth while to draw attention to the fact that the frequent claims made by certain distributors of charity that their work entitles them to public support because of the large proportion of the funds collected which is actually expended in material relief and the small proportion which is invested in machinery for distribution often rests upon a complete misunderstanding of the actual problem. Conscientious investigation of the needs and resources of the individual family, intelligent advice by experienced (and, therefore, reasonably remunerated) professional social workers and those working under their direction, establishment of contacts with other social agencies, searching out of relatives able to help, assistance in securing employment, and quite a number of other possible forms of non-material aid are just as important as the dollars and cents handed out. Indeed, without a thorough appreciation of all the circumstances and without the additional services which capable workers can render to the family in need, the money part of the aid given often is wasted or wrongly used.

By this we do not mean that the payment of relief should be accompanied by conditions making it difficult for self-respecting persons to accept such relief. Neither do we believe that investigation of circumstances need be inquisitorial. It is just in these respects that the difference between experienced workers or volunteers working under their direction and amateurs handing out large sums of money in a wholesale fashion makes itself most felt.

This Committee, though not in any way expert on the more difficult technical problems of charitable relief, has followed with much interest, and looks upon as an exceedingly hopeful departure, the experiments made by certain agencies in this city and elsewhere in the indirect giving of financial aid through smaller organizations which have some contact, other than that of givers, with the families to be relieved and and can stand sponsor, to a certain extent, for the families assisted and the intelligent use of the aid given.

The suggestion which we have elsewhere made for a decentralization of relief employment* applies with even greater strength to money gifts. Much of the seeming harshness complained of in criticism of large charitable societies and so difficult to avoid in their work, could be overcome by a careful decentralization of their efforts, making extended use of agencies more closely in touch with those to be helped, or, if not with them personally, at least with the neighborhood influence under which they live. Such indirect link with the individual family may be made much stronger than direct contact can be under the best of circumstances. It makes it easier to determine when financial aid can safely be given in the form of a loan and

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when it must be an outright gift; it facilitates control over repayment in the case of loans and prevention of squandering in the case of gifts. It enables a closer estimation, without too searching an investigation, of the sum required for the support of the family and the value of other resources possessed by it which may legitimately be taken into account.

As in the case of undertaking relief employment, discussed in a previous chapter,* it has been suggested to us that, in the case of trade unionists out of work, the machinery of the unions might be more fully utilized in relieving them, that in fact the unions, wherever willing to undertake such a task, might become the recognized distributors of charitable funds contributed by the general public. Although trade unions have, at times, advantageously distributed relief of a special character, we are not convinced that this plan would prove workable as a general proposition. Obviously, trade union officials would find it difficult to give and withhold relief on the same general principles as are followed by established relief agencies. The very democracy of the unions would stand in the way of an apportionment of relief by the officers on any basis other than that of equal benefits, especially as the unions are accustomed to fixed amounts (in this case on correct principles) of unemployment, sickness and strike pay.

To enable those not specially interested in the trade unions as such to make use of their services for the distribution of charity, either some equivalent sacrifice on the part of the union itself would have to be demanded as a proof of bona fides, or some inflexible rules concerning the amount and conditions of relief, mutually satisfactory, would have to be adopted. But the latter method is not at all desirable; it would perpetuate the principle of equal relief to all independent of their actual need as measured by the amount necessary to support their individual homes.

In the case of unemployment insurance, benefits can, of course, take no account of differences in need; it is a definite service bought by the members themselves for definite, equal contributions. But the function of charity is different from that of insurance just in this respect that it does not render a service paid for and relied upon in advance, but attempts to help each according to his personal and family needs.

We do not believe that trade unions, even if they were willing to undertake this function, of which there is no proof, would ever be satisfactory agents of outside private charity, except in definitely limited directions, not because they would not honestly endeavor to apply aid in accordance with the best principles, but because so much in the actual administration of charitable aid is a matter of judgment; and in that of union officials the considerations heretofore presented would render such judgment less discriminating than is required. This is no argument, of course, against the collection of funds of their own by the unions to relieve their members during a time of severe unemployment; and no reason why persons and organizations desiring to assist them should not liberally contribute to such funds. Indeed, the more actively individuals and groups of citizens in an emergency

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support the efforts at relief which are made by agencies in which they are more especially interested, the lesser will be the pressure upon the larger relief organizations and the more effective, on the whole, the total relief activity of the community.

(b) Food

The giving of relief in the form of food, though useful and commendable under certain circumstances, has been bound up with so much that is harmful and contrary to sound principles of relief in the past, that, as a matter of general advice, we must counsel the community to exclude it as far as possible from any program of dealing with emergencies in the future.

The only justification of bread lines would be that sometimes purveyors of food, bakeries and hotels dispose of a surplus of perishable food which in normal times is wasted and which at times of general deprivation may better be disposed of by giving it to the needy without any special effort to investigate their claims upon the community or to give them effective permanent aid in re-establishing themselves in industry.

In the majority of cases, however, the giving out of food does not follow this simple, common sense, humanitarian line. It is organized as a definite philanthropy and, through the quantities disposed of, attracts a clientele of a mixed character. During the last unemployment crisis, it was not uncommon to see a bread-line fill several block lengths of sidewalk, waiting patiently for a charity incapable of doing more than satisfying for a few hours the hunger of individuals. These bread-lines should be entirely abolished, if necessary by legal enactment. They are hindering the work of real relief, extremely demoralizing and not even a sufficient means of accomplishing their object; for though they may stave off hunger for a few hours, the meals or gifts of food are hardly ever sufficiently nutritious and continuous to keep the body in full physical health and vigor. Of course, when people are actually starving and the newspapers bring stories of persons found dead from privation, it is difficult to suppress the one attempt to provide succor which seems to appeal to a certain type of mind, oblivious to better means, as the humane thing to do.

The object of this present report is primarily that of stimulating the creation of better, more permanent and more generally helpful means of giving aid in an emergency; and we feel able in this connection, without exposing ourselves to the charge of inhumanity, to insist on the abolition of this particular form of help to the unemployed.

Not much better is the giving out of food at soup kitchens and similar institutions if it is unrelated, as it so often is, to the real needs of the beneficiaries, and proceeds on the basis of individual want rather than that of family wants.

Quite different is the endeavor to supplement, by a nourishing meal once or twice a day, other relief given on a sound basis and with a view to maintaining self-respect. For instance, in order not to attract persons from possible other employments, it will always be necessary to keep wages for

relief employment at a low level. Even where these wages are supplemented, in the case of large families for instance, by monetary gifts, loans or other aid, there may be a danger that the bread-winner employed on such work may undergo much physical privation so as to make more adequate the share of his or her dependents in the total resources of the home. It is, of course, of the greatest importance that these bread-winners themselves should be well fed, so that they are able to do a normal day's work when good trade returns and they can be placed in their usual occupations. Under such circumstances, the provision of a nourishing meal at the emergency workshops, in certain localities and under certain circumstances, is decidedly helpful.

During the winter of 1914-1915, the Mayor's Committee on Unemployment was fortunate in securing the generous aid of fifty-one of the leading hotels and restaurants and three clubs in providing nourishing meals at twelve of the emergency workrooms.

Food was also given out through a number of schools. We do not believe that either the agency or the choice of the form in which aid was given in these cases was a satisfactory one. Obviously, it is impossible for a busy school principal or teaching staff to investigate the needs of families, however well-informed they may be of those of individual children attending the school. The subject of school luncheons for poor children is a controversial one which we need not discuss in this connection. It is one which must be considered from the point of view of normal conditions and the normal presence in the school population of underfed and needy children, not from that of an unemployment emergency.

As a matter of general principle, we are inclined to the view that poverty arising from unemployment as by us defined should always as far as possible be relieved through the breadwinner out of work, not through unrelated dealings with his or her dependents. The problem of school luncheons must be treated as one of educational expediency and as such will, we hope, more and more be solved by a service of the community to the child which is entirely outside the scope of charity.

(c) Clothing

The "Bundle Day" of February 4th, 1915, was the principal organized effort in New York, during that winter, of specially providing for the needs of the unemployed in the matter of clothes. Although much criticised and perhaps not worth the relatively great effort which it has cost, this experiment has its suggestive value for future emergencies. It has shown that it is possible in a period of general suffering at short notice to organize the distribution of the city's cast-offs in such a way that every man, woman and child is rigged out in warm and comfortable clothes, whether able to pay for them or not. We do not pretend that this was actually accomplished; and we do not recommend a repetition of exactly the method used. Our chief emphasis in this report must be on the need for discrimination, based upon more accurate knowledge of facts than, lacking previous organization for the purpose, it was possible to obtain in 1915.

Whether in the form of loans, money gifts, food or clothing, the aid given to those in want should, under all circumstances, be related to the whole needs of the whole family. Instead of giving out clothes to the children at their school, to the mother at her church, to the father through a "Bundle Day" Committee, it will be far more helpful to relieve the family through one agency only, knowing of all its circumstances and resources, and able to exercise judgment in the form and amount of relief to be administered.

While on general principles we would condemn special clothing charities on the same grounds as those on which we have condemned bread-lines, we must also make the same exception which we made in the case of food: It is often distinctly helpful, either as part of a charitable gift made to the family or supplementary to a wage earned at emergency relief work, to give out a certain amount of aid in kind. Often this insures that aid reaches in the right form those who need it. In the case of clothing, moreover, it makes available a source of aid which is entirely in addition to the financial resources that can be mobilized. Economically speaking, the monetary value of cast-off clothing which, properly assorted, repaired and distributed, can be made available in genuine relief of distress in addition to every other sacrifice made by the citizens, is very considerable.

"Bundle Day" has shown that at a time of emergency there exists great willingness on the part of householders to part with articles which at normal times they would have retained for possible further use; it was valuable as a means of democratizing relief, for those unable to give money are able often to contribute substantially in this way. If instead of directly distributing the gifts received, it had handed them on to agencies closely in touch with the needs of the unemployed and their dependents; if instead of functioning in February, it had functioned in October, the "Bundle Day" organization would have been of unqualified usefulness.*

(d) Shelter

One of the most serious dangers threatening the families of unemployed workmen is eviction. It is often a greater disaster than even insufficient food. For, while there is hope from day to day, even from hour to hour, that the lucky chance of a job, the visit of a neighbor, or the opening of a soup kitchen may relieve hunger, once the home is broken up and the family dispersed, it may be impossible to foresee when, how and where it can come together again. Quite naturally, therefore, neighborly and public sympathy during a time of general distress goes out to the dispossessed and the criticism is much severer upon house-owners than upon storekeepers who are unwilling to extend unlimited credit.

The prevention of eviction during a period of abnormal unemployment probably makes a severer drain upon the resources of relief societies than

* It may be noted that at least two large organizations, in addition to those previously utilizing household waste, have since begun and are continuing regular collections of household cast-offs which are placed in cotton bags distributed to householders in advance.

any other item of expenditure. Often it is impossible to succeed in spite of much effort because of unreasonableness on the part of landlords, of the natural disinclination of relief societies to pay back rent, of lack of frankness on the part of those to be aided, and other complicating circumstances. Special funds collected to prevent eviction are apt to have disastrous results. They have been known to encourage landlords to insist on full payment of all back rents when, without the existence of such a source, they would have allowed further credit to their tenants, or compromised with them on the payments owing (almost as a matter of course).

It seems to us that no special effort to deal with evictions by trying to mitigate them can overcome this danger of increasing the volume of such occurrences. For this reason the solution of the problem must be left principally in the hands of established relief agencies which have a store of experience in negotiating with human nature under the most delicate circumstances. If, as we recommend, the whole machinery of charitable aid were gradually decentralized, it would become easier to deal with this special problem than it has been in the past; for the local negotiator with a landlord, as with any other neighbor, often can exercise a strong influence which it is impossible for the agent of a central organization to command. Neighborly opprobrium is more difficult to bear than that of an impersonal organization operating over the whole city.

In dealing with the provision of shelter for those without a home, we must concur in the opinion expressed to us at one of our hearings that permission given to unemployed persons to sleep on benches in mission rooms, in the back rooms of saloons and in similar places is a hindrance rather than a help to a sound solution of the problem and interferes with the work of agencies, such as the Municipal Lodging House, which try to build up a systematic practice and theory of dealing with homeless persons. The emergency problem, with which alone we are here concerned, consists in a rapid increase in the number of persons sleeping in all sorts of odd places and presenting themselves for admission to the Municipal Lodging House and other shelters.

How are they to be housed—who is to house them? The City, by opening the Municipal Lodging House, has accepted a definite responsibility in the matter which could no longer be denied.

The problem of treating homelessness and vagrancy effectively bristles with difficulties which the scope of the present report does not allow us to discuss in detail. We are here concerned merely with the increase of both occasioned by exceptional unemployment. While theoretically it might seem easy to distinguish between vagrants who, under existing law, can be committed by the courts, and bona fide workmen tramping from place to place in search of a job, it is extremely difficult in practice to make such a distinction. Moreover, no city scheme for dealing with both classes according to their needs can be effective unless it is aided and upheld by a uniform method of treatment throughout the state at least—preferably the country. Above all, the “passing on” of vagrant persons by county and city officials with a sole view to relieving the particular locality of the cost

of their support must be stopped. The Committee on Unemployment of the Seventh Annual Conference of Mayors of New York State (1916) advocates the development of a state system of farm colonies, the employment of all unemployed homeless persons housed by cities upon relief work, special facilities for the treatment of inebriety, and the establishment of municipal lodging houses, "not as a more or less temporary stopping place for those who can't and won't work, but as a human repair shop or clearing house." We are not sure whether this grouping of municipal lodging houses with institutions for the "human repair" of unemployables, would not perpetuate the difficulty which we have to solve, namely, the functional division of the treatment of unemployables from the humane provision of shelter for bona fide unemployed workmen temporarily without a home.

In order to make the Municipal Lodging House available for unemployed workmen at times of general need, it is important not to allow it to be tainted with the atmosphere of a "Casual Ward" or station for dealing with vagrancy. Asked whether he did not consider it desirable that the City should provide separate accommodation for respectable young working men in need of shelter, Mr. Stuart Rice, Superintendent of the Municipal Lodging House, explained to the Committee that, on the contrary, a considerable effort was needed to prevent that institution from being looked upon as the abode of persons who are not respectable. Only if at all times it were used without hesitation by self-respecting working men temporarily in need of shelter could its reputation be upheld.

Obviously, at times of good employment like the present, homelessness from unemployment as by us defined is infrequent. With an increase in the proportion of "unemployables," there is special danger of deterioration in the tone of the institutions provided for the "unemployed." There is the advantage, however, that more individual attention can be given to lodgers at such times. While we have been convinced that it would not be desirable (nor easy) to provide separate accommodation to persons genuinely out of work and only temporarily without a home as distinct from those who may be classified as "work-sky" or "unemployable" through disease, age or incapacity, we believe that the danger to the young from being associated with every type of character in a common lodging house is too great to allow it to continue.

We also do not believe that the conditions imposed upon adult men and women using the accommodation offered by the city are suitable for boys and girls who, unable to obtain work, have somehow drifted away from the protection of their homes. They need an atmosphere of intense personal interest rather than of work tests at tasks to which they are not accustomed, and a much greater effort than can be made in the case of adults at a time of abnormal unemployment to protect not only their health and morals, but also their vocational prospects, in addition, of course, to restoring them, where this seems advisable, to their families.

We would recommend, therefore, that so far as juvenile unemployed are concerned they should not at normal times be admitted to the Municipal Lodging House, but referred to agencies specializing in the protection of young people.

During times of abnormal unemployment, when their number is apt to increase considerably and is further augmented by that of adventurous unemployed youths from other cities, this normal accommodation will not suffice. The provision of additional accommodation and all the services which should go with it, to become available when needed, must be thought out and provided for in advance. We suggest that one of the social organizations interested in children and young people, or perhaps a committee of several of them, prepare a plan to meet this special emergency as part of the general community program for dealing with hard times.

XII

MEASURES CONCERNING JUVENILE WORKERS

The moral effects of unemployment and homelessness. Special dangers to the young. Need for improved methods of placement of minors. Educational utilization of period of unemployment advocated for young workers. Need for moral encouragement and protection. Success of trade extension classes for girls. Technical difficulties of such educational facilities. Attendance at such classes during unemployment might be made compulsory up to age of eighteen.

Juvenile unemployment aggravated at times of general distress by large increase in proportion of school population leaving at earliest age permitted by law. Steps taken to encourage continued school attendance at such times. Value of scholarship system to enable children of poor parents to remain at school. Large extension of such provision at times of abnormal unemployment advocated.

Special Dangers of Juvenile Unemployment

The consideration of the homeless youth and girl leads us to inquire whether the case of the workless minor generally has been covered in the general program for meeting a period of abnormal unemployment which has here been outlined. We do not believe that it has. The appalling number of work-shy and unemployable men of middle age, of vagrants who are the plague and despair of police authorities the country over, can only be explained by a lack of oversight in youth which has had fatal consequences so far as the careers of these unfortunates were concerned. Rapidly passing from one occupation to another, and thus never acquiring a hold upon any industry in particular, thousands of young persons, at a time of industrial stagnation, are left without resource, forced to pick up odd jobs where they can find them, until often the power of hard, continuous work has left them.*

The remedy for this deterioration must, of course, be applied not only at times of exceptional unemployment, but at all times. It consists in a far more careful and intensive supervision of the young boy's and girl's entry into industry than is as yet customary, longer supervision of their career on the part of their educational advisers, more ample protection of their assets in health, skill and adaptability while at work and when out of work.

But those activities, necessary though they are to protect the individual wage-earner in the plastic stage of development, can exert practically no influence upon trade fluctuations and will not prevent the periodical crises

* An illustration of this danger recently came to hand in the form of a letter received by the Committee from a young man, aged 19. "I have already been working," he says, "as a sign-maker, office assistant, collar assorter, bookkeeper, clerk, teacher, delivery-business agent, newspaper reporter, advertising solicitor, correspondent, etc., and, excepting a very few cases, I left each position on my own accord. . . . It is true, I have not been a 'sticker' until now, but, I assure you, I begin to feel the responsibilities of a grown-up. That is why I want to settle down. Meanwhile, I have been trying very hard to obtain a position—but in vain. . . . Here I am, with all my days of glory past—still a lad of nineteen—walking up and down the streets of New York City, doing nothing—and, the Lord forbid, on my way to vagrancy."

and periods of slackness which are the subject of this study. At such times, thousands of young boys and girls will continue to fall out of work and to remain idle for weeks, maybe months; and we must be prepared to help them to weather these periods without damage to their physical or mental health or to their skill and vocational prospects. The first essential, as in the case of adults, is, of course, a perfected system of placement bureaus which will connect up those in need of them with such jobs as there are. It would lead us too far from our present subject, to discuss in detail the functions which, in the case of minors as distinct from adults, such placement bureaus must fulfill.

There are in New York excellent beginnings of a systematic placement of minors on the right principles. To develop them, to coordinate isolated agencies, to link them up more closely with the work of the schools, and to supplement them by an intensive vocational guidance both before and after leaving school, must for some time to come remain the object of much earnest endeavor. Meanwhile, so far as periods of slack trade are concerned which bring about a large surplus of juvenile workers, two measures more especially, both supplementary to those already discussed as applicable to all who fall into distress through unemployment, seem necessary to prevent the demoralization which, among the young, so easily results from forced inactivity.

First, there is the need for educational utilization of the period of unemployment to fit the young worker the better for his job, to test his abilities and, when the demand for labor revives, to advise him in the choice of employment on the basis of a closer knowledge of the requirements of his career than is normally possible. Second, it is possible to prevent the increase in the volume of unused labor at such times by turning into an educational rather than a vocational channel the stream of young lives emerging from the elementary schools which, lacking such action, would increase the number of unemployed minors even if they themselves could be placed.

(a) Special Training

An unemployed boy or girl often is a boy or girl exceedingly difficult to manage and, among our immigrant population, still more often one entirely out of control with no attempt at management. During this impressionable time of life, swayed by conflicting impulses—not the least that of impatience with the necessity of being dependent upon the home after having tasted of the responsibility and pleasure of being partially a supporter of it—they are too often eager to take any job at any price. Discouragement, when no job can be found or the one so eagerly accepted turns out an impossible one, is apt to lead to loss of ambition and worse evils.

More than anything else, a friend is needed who, understanding not only the economic but also the moral difficulties through which he is passing, will guide our young unemployed across the stream of adversity. A new type of educational institution and a new type of teacher are required.

"Going back to school," if it means returning to the day school which he has proudly left a year or two ago, is not a suggestion which our young friend will accept kindly. Nor, in many cases, is he able or inclined, just because temporarily without a job, to follow the advice of continuing his training at a high school. What he needs is a purely temporary opportunity of increasing his chances of remunerative employment, leaving him free to return to work for wages whenever it becomes available.

Such an opportunity, in the case of girls, has been provided—as yet on a small and insufficient scale—by the city of New York in the so-called extension classes which, on the recommendation of a sub-committee of the Mayor's Committee on Unemployment, were established at the beginning of 1915, and which are described in the report of the Committee. Only a few of the classes opened during the emergency situation have remained in operation and have become part of the permanent educational system of the City. We would commend as an urgent need an early and considerable increase in the appropriations made for these classes, so that they may be extended over a greater variety of occupations and be made available also for boys in all the more important occupations. These classes are needed at all times, if only to provide the machinery for a test of ability without which true vocational guidance is hardly possible. But in their organization, the possibility of a rapid and considerable extension at times of abnormal unemployment should be planned for in advance.

The experience of the last crisis is useful in showing that it is possible to render an exceedingly useful service, in improvised premises and with teachers inexperienced in this special work—inexperienced, that is, in the peculiar problems arising from having to teach each individual without determination of a fixed course that can be completed in a fixed period of time, also from the freer discipline among young people who have already been self-supporting compared with that of regular educational institutions. To make that service even more positive—that is, laying emphasis on the vocational equipment of the pupil as well as merely keeping him or her out of mischief—a "preparedness" plan, considered and provided for at a time of good trade, will be necessary.

We believe that attendance at such classes during unemployment might, with advantage, be made compulsory upon youths and girls up to a higher age than is now required under the present school attendance law, say to the age of eighteen. Compulsory attendance would, of course, have to be limited to certain hours so as not to interfere unduly with the liberty of the pupil to seek for work. It would increase in social value and be more easy to enforce if the suggestion of a largely increased system of scholarship grants, made in the following section, were adopted.

(b) Prolongation of School Career

There is no reason why the entry of minors into industry should not to some extent be regulated by conditions of trade. As a matter of fact, it is; but, unfortunately, the trend is exactly opposite to the one we would

desire. For, at a time of abnormal unemployment, large numbers of children who, under other circumstances, would longer have continued at school, are flung or fling themselves upon an already sadly overstocked labor market for the purpose of helping to support the home, made poorer by the unemployment of some other member of the family. In many such cases, the earnings of the child are urgently needed to keep the home together. Merely to advise parents of the inadvisability of spoiling the careers of their children to meet a temporary difficulty is insufficient, though a circular letter to this effect circulated by the Board of Education in 1915 was of considerable effect. What is needed is a community effort to enable these children to stay at school.

As in the matter of the extension classes for unemployed juvenile workers which have become part of the educational system of the city, so in that of "wages" or allowances paid to children for school attendance, New York has, we believe, been the pioneer. The payment of a small weekly sum to children to compensate them for the loss of wage which they might have earned had they left school, was commenced on a small scale by the scholarship committee of the Henry Street Settlement and, during the emergency of 1914-1915, was more widely applied by that committee and others, including the Mayor's Committee, though still in no commensurate proportion to the need. This scholarship differs from most payments going under that name. It is not an encouragement to particularly bright and promising children, but endeavors so far as possible in any case where parents are unable to let a child continue education beyond the legal compulsion limit, but where such continuation would manifestly benefit the career of the child, to pay a compensation just adequate to enable parents to make the necessary sacrifice. The payment is in the nature of a wage, for it imposes definite obligations both on the child and on the parents and can be withdrawn, if necessary, at a week's notice. The payment itself, however, is only part of the help given.

Both as a matter of actual cost and one of economic importance to the child, the oversight maintained over the school work, over the choice of a career and over everything in the home and personal life, including health, which affects vocational prospects, is at least of equal importance.

Without going further into this subject, we would urge that educationalists and philanthropists in New York combine in a wide extension of this service and that an effort be made to accumulate or assure a fund in preparedness for the next period of abnormal unemployment when, for the reason stated, it is especially important to enable as many minors as possible to continue their education rather than leave to look for a job. We would further suggest that, as the Board of Education itself is not legally enabled to do so, a philanthropic organization provide a small scholarship to each unemployed worker under twenty years of age who attends a trade extension class and fulfills certain other obligations, such as complying with certain mental and physical tests, applying for work only through one of the public or other accredited non-commercial employment bureaus, and who must wholly or partially maintain himself or herself.

The actual amount paid would, as it is at present, have to be smaller than that which it is possible for minors to earn in ordinary business occupations, so as to keep alive a constant desire to go back into vocational work. We believe that in this way, the unemployed minor can and should be entirely taken out of the care of other charitable agencies and placed under that of an organization especially equipped to deal with his problem. The circumstances of the home would, of course, have to be investigated just as closely or more so, as in the case of other forms of relief; but the educational and supervisory element would be so strong as to put entirely into the background any money aid which it might be necessary to give.

Where distress in the family resulted from a variety of causes, including the unemployment of a juvenile worker, the relief agency primarily interested in the case would report the unemployment of this young person to the special organization proposed, together with an account of the total resources of the home, including any relief granted by the agency, so that the scholarship organization would be in a position to judge whether a payment to the young person placed in its charge was necessary or not. This would imply uniform standards in family relief among the different philanthropic bodies in the city which are not yet recognized, but towards which they are already tending in their administrative policy.

XIII

CONCLUSIONS AND RECOMMENDATIONS

Review of the Problem

We have addressed ourselves, in the preceding pages, to a consideration of the relatively immediate problem of how the City of New York, as a government and as a community, may deal most effectively with abnormal unemployment accompanying trade crises.* Our approach has been frankly pragmatic; our objective, the next unemployment crisis. We have excluded from our study an examination of certain basic political, economic and social causes of periodic trade depressions and of such remedies as have been or might be proposed for averting these periodic depressions, when to give practical effect to these remedies, as to others which we might ourselves propose, there would be required a political or economic reorganization which could not be consummated within the near future. Likewise, we have not attempted to indicate desirable forms of fundamental social re-organization, desirable reforms in personal and group habits and attitudes or desirable additions to our national, state and municipal equipment for organizing the industrial life of the people in the interest of the public welfare.

In limiting ourselves to matters within the domain of practical politics and constructive statesmanship on the governmental side and within the possibility of immediate achievement by cooperative voluntary social effort on the community side, we do not wish to be understood as in any sense overlooking or minimizing the necessity for defining and remedying the fundamental economic, social and political maladjustments which are responsible for the recurrence of periodic trade crises and for thus depriving hundreds of thousands of workers of the opportunity to earn their daily bread. Nor do we fail to appreciate the value and practical worth of reforms in personal and group conduct and attitudes and of desirable additions to the industrial machinery of our cities, states and the nation, designed to promote the general welfare.

Briefly stated, the preceding pages deal with the problem of "preparing against future unemployment crises" in the City of New York and

* Unemployment in normal times and in a special industry, that of dock employment, has been dealt with in two preceding reports of the Mayor's Committee on Unemployment of 1915 (the predecessor of the present Committee), and of this Committee: *Report of the Mayor's Committee on Unemployment*, January, 1916, Part II, Program for Dealing with Unemployment in New York, Section I, Prevention of Unemployment, pp. 44-68; Section II, Insurance and Relief Measures for the Unemployed, unemployment insurance, pp. 69-76; *Report on Dock Employment in New York City and Recommendations for Its Regularization*, September, 1916, 82 pp.

constitute the Committee's response to the second of two duties imposed upon it by the Mayor when the Committee was appointed.* In spite of the limitations in the scope of the Committee's report, to which we have alluded, the Committee has endeavored to survey the field in a broad and comprehensive spirit and to lay the foundations for further discussion, whether on the plane of theory or that of detailed social mechanics.

The problem of "hard times," therefore, as reviewed by the Committee, resolves itself into a series of problems, all inextricably interwoven and incapable of separate solution, although for clarity of discussion, they must be considered one by one. We have found that the abnormal unemployment of wage-earners in times of crises is but an accentuation of a condition prevalent in good times, and invariably associated with our present economic and industrial structure.

The Committee's discussion of the subject as a whole, and of its various phases, while confined within the limits of the immediately attainable, has included, (1) a theoretical consideration and analysis of the financial and industrial aspects of trade crises and of the preventive and meliorative measures which may be taken by consumers, employers and particularly by "high finance," "big business" and government to avert or mitigate the distressful effects of such crises; (2) a review and critical examination of the principles to be adopted in meeting the relief needs of these crises, insofar as, and to the extent that, relief may or must be given, and of the respective shares of responsibility for meeting such needs which should be assumed by the city and by voluntary relief societies supported by private contributions; (3) a discussion of methods of relieving distress and of providing emergency employment; (4) an analysis of the means by which the relief of distress and the provision of emergency employment may best be accomplished.

CONCLUSIONS

The Committee's conclusions may now be summarized as follows :

Definition

(1) As a first essential to an intelligent treatment of unemployment, it is necessary to distinguish between the person involuntarily idle because of lack of work and the person unemployed for other reasons. While both may be in distress through no fault of their own, methods of helping them or endeavors to prevent their plight must be on radically different lines. For practical purposes, the man may be termed unemployed who is seeking work for wages but unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards.

* "To deal constructively with the problem of unemployment and prepare against a recurrence of unemployment crises."

Prevention

(2) The only adequate remedy for unemployment is employment. Industrial re-organization, and not the organization of charitable relief, must be looked to for a permanent solution of the evil.

(3) The industrial treatment of unemployment necessitates a more complete knowledge of the labor market than now obtains. The expense of maintaining adequate machinery for this purpose, including a perfected system of public employment bureaus and improved methods of gathering statistics of employment and unemployment is trifling compared with the cost of unemployment to the nation and to the community.

(4) The effects of trade depressions are accentuated and prolonged by the exaggerated conservatism in spending which is apt to take hold of the consuming public during such depressions.

(5) Employers of labor, likewise, are needlessly conservative and unenterprising at times of depression, when prices fall and stocks accumulate. If a reliable forecast of financial developments were available, and if agreements on policy could be reached, times of comparative slackness need not involve the wholesale closing of factories and dismissal of workmen.

(6) Short time and similar devices for spreading employment in slack times over as many employees as possible are already prevalent to a considerable extent. But, many employers do not as yet realize the financial loss involved in varying their working force to meet the fluctuations in the demand for their product, nor have they given sufficient attention to the improved efficiency and the resulting economy of continued and distributed production as compared with dismissal and re-engagement of labor.

(7) More important than possible action on the part of consumers and employers for the purpose of regularizing employment is the influence which concerted action on the part of the larger financial and commercial interests can exercise upon the stability of credit. The intelligent use, in particular, of the Federal Reserve banking system may go a long way towards the prevention of financial panics and the industrial dislocations which are apt to result from them.

(8) There has as yet been no systematic endeavor on the part of the public authorities of nation, state and city, to counteract fluctuations of employment in private enterprise by a planning of public expenditures designed to provide the maximum of employment on permanent improvements and purchases of equipment at times of depression. On the contrary, the volume of public expenditures tends to be greatest at times of prosperity when prices are highest and labor most scarce.

Thrift and Insurance

(9) Not only preventive, but also the most important remedial measures, though functioning at times of emergency, require permanent organization for their proper working. Included in these are credit organization and unemployment insurance.

(10) Thrift and loan facilities are not as yet extensively organized in New York in such manner as to relate grants to the credit needs of individuals or to their ability to make sacrifices with a view to providing for periods of unemployment.

(11) Unemployment insurance is the most logical and practical means of providing against the risks of unemployment for the great majority of wage-earners. It combines regular preparatory provision with a definite scheme of known benefit, with absence of charitable aid and with the application of a rigid test to claims.

(12) Compulsory unemployment insurance is at present unattainable and remains a subject for academic discussion unless and until linked up with an efficient system of public employment bureaus which can provide an adequate test of willingness to work and relieve the insurance fund of the needless maintenance of unemployed persons for whom work might be found if a comprehensive system of such bureaus were in existence, and owing to the strong opposition of organized labor.

(13) A voluntary system of unemployment insurance with state or municipal subsidies would not benefit the groups of wage-earners most in need of this form of protection and might increase the difficulties in the way of a more comprehensive insurance project.

(14) While many trade unions liberally aid their members when out of work, few of them so far have definite systems of out-of-work benefits with regular contributions.

Juvenile Unemployment

(15) At times of general unemployment, in order to eke out an insufficient family income, the number of those desirous of leaving school at the earliest moment permitted by the law, tends to increase, although, of course, employment opportunities for juvenile, as well as for adult workers, are diminished.

(16) Juvenile workers thrown out of employment by trade crises cannot be aided by exactly the same methods as are applicable to adults in need. They require not only physical assistance but protection against the mental and moral dangers which beset the unemployed youth and girl.

Relief

Distribution of Task

(17) The city, irrespective of legal responsibility and whether or not it accepts moral responsibility for dealing with the distress occasioned by abnormal unemployment, is in practice obliged by public pressure to take cognizance of the emergency which has arisen and to take action which will avert calamity or mitigate it, when it is too late for preventive effort.

(18) The creation of a centralized relief agency under public auspices is not necessarily a part of the city government's fulfillment of this responsibility.

sibility which can, to a large extent, in the absence of regularly established public out-door relief, be delegated to voluntary organizations.

(19) There is at present no committee, department, office or organization of any kind, public or private, whose business it is to see that the relief needs of the city are adequately met.

(20) Some cities have, in recognition of this responsibility, established public welfare departments which direct municipal action in cooperation with that of voluntary agencies.

(21) Trade unions are not suitable agencies for the general distribution of charity contributed by the general public. But contributory out-of-work benefit schemes apart, they can and do materially contribute to the general resources of the community at times of adversity by caring for their own members and, in some instances, by providing employment opportunities for them outside the normal channels of industry.

(22) Encouraging experiments have been made in this city by large relief agencies in the decentralization of relief distribution through the intermediacy of smaller organizations more intimately in touch with the persons, families or groups requiring help.

(23) It is impossible wholly to suppress injudicious forms of aid at such periods; but much abuse can be checked by the encouragement of support for agencies equipped to deal with the task thoroughly and in accordance with the best practice.

(24) New agencies springing up at times of abnormal unemployment and new central relief funds created to aid the unemployed, are apt to divert the support required by agencies already in the field for identical or superior work for the relief of the same classes of distressed persons.

Administration

(25) The emergency problem of relief to be faced by the community at times of abnormal unemployment is different from the normal problem not only in magnitude but also in character. Individuals and classes of workers who usually are entirely self-supporting are then driven into destitution. Methods of relief which are suitable for a limited number of unemployed applicants at normal times are apt to be not only inadequate but also unsuitable when this number suddenly multiplies.

(26) To differentiate relief measures in accordance with need, it is necessary to distinguish among the unemployed

- (a) those who, never regularly employed at permanent work and unable to provide for a "rainy day" out of their meagre and irregular earnings, fall into dire distress at a time of severe depression;
- (b) casual workers in skilled and semi-skilled employment;
- (c) seasonal workers who expect to be out of work during part of the year;
- (d) unemployed minors;
- (e) regular workmen in permanent employment thrown out of work through slackness;
- (f) those usually of independent means and dependents of wage-earners, who, deprived of their usual resources, are thrown on the labor market.

(27) So far from it being impossible, at a time of emergency, to differentiate between different needs, it is certain that a systematic classification of the persons whom it is necessary to help, or who can be encouraged to employ various resources of self-help, is the first essential toward meeting the needs of the distressed unemployed adequately without social injury.

(28) The sending of needy persons from "pillar to post" has been one of the most regrettable and, at the same time, most avoidable features of relief in the past.

(29) While some relief organizations have successfully rid the distribution of charitable funds of the three chief dangers to sound administration—grants to persons who have no legitimate claim, grants which are inadequate, and grants which injure because given in a wrong form—there is still, at times of wide-spread distress, too much neglect of sound principles of relief in the community generally.

(30) Appeals for financial support, which lay stress on the small proportion of the funds spent on administration, are apt to foster an erroneous popular opinion as regards the value of conscientious inquiry into the needs of individuals and families, intelligent advice, contacts with other social agencies, and other forms of non-material aid to the needy which require the services of experienced and salaried professional social workers.

(31) Relief employment is the nearest approach that can be found to a normal opportunity to work for wages sufficient to maintain life while the need for such work lasts. It is not to be regarded as a work test and may be justified wholly apart from any opportunity it may afford for specific industrial training.

(32) Efforts to disguise relief employment as though it were not charitable in character are bound to fail and are humiliating rather than conducive to self-respect.

(33) No evidence has been found of the assertion sometimes made that relief employment on a scale adequate to meet the needs of abnormal unemployment can be made self-supporting.

(34) It is impossible, with rare exceptions, to devise relief industries which do not, in one form or another, compete with industries employing wage-earners under normal conditions.

(35) When relief employment becomes necessary on a large scale, the greater volume of it has been, and will have to be in the future, provided in the form of indoor work.

(36) The city government itself is not the most suitable authority or body for the provision of relief employment, even if it were legally authorized to provide it.*

(37) The provision of relief employment by large permanent relief agencies fails to attract those most in need of this form of aid. The functions of aiding the helpless and those who, to some extent, are able to

* It is to be noted that in paragraph 7, page 125, we have summarized the city's opportunity and responsibility for averting the worst effects of trade crises and for stemming the tide of abnormal unemployment by planning its expenditures on permanent improvements so that a largely increased volume of such expenditures may be reserved for years of bad trade. This, as we have pointed out in the text devoted to that subject, is not "relief employment."

help themselves—if only by working at a made job—cannot easily be combined.

(38) The most successful efforts to relieve by employment have been those made by existing social organizations, not normally engaged in the relief of distress, but intimately acquainted with the individuals or classes of persons helped by this means.

(39) The nature of the enterprises which can with advantage be undertaken to relieve unemployment cannot be determined in advance, because it must depend largely on the immediate circumstances and opportunities.

(40) Work-tests to establish the bona fides of persons seeking relief on account of lack of work, may be harmful in some cases, as well as justified in others.

(41) The organization of opportunities for the cultivation of vacant lots provides a form of relief employment which is less in competition with normal industry than any other.

Aid in Kind

(42) Bread lines and soup kitchens are harmful means of relieving the needy unemployed in that individual and family needs are uniformly disregarded and because the attendant publicity is degrading to the recipient.

(43) The distribution of relief in kind through the public schools is not a satisfactory arrangement, even at times of emergency.

(44) The distribution of old clothes by an organized community effort enables many to contribute to the relief of destitution who are not in a position to contribute to relief funds. The value of this form of charity, however, is strictly limited and is entirely lost unless it is closely related to other efforts for dealing with family needs.

Shelter

(45) Special endeavors to prevent eviction, especially if attended by publicity, are apt to encourage landlords to insist on full payment of all back rents; and as these efforts increase, the evil itself is apt to grow correspondingly.

(46) The "passing on" of vagrant persons from town to town, as practiced at present by many town and city officials, stands in the way of any helpful treatment of vagrancy and homelessness as evils which become acute at times of general unemployment.

(47) The municipal lodging house provides the most appropriate and socially desirable means of housing the homeless unemployed. Its value as a suitable shelter for respectable work people made homeless through unemployment is destroyed if at normal times it is used as a "human repair" shop for unemployables and work-shy. The two functions cannot be combined in the same institution.

(48) A municipal lodging house where adults of every type and description find temporary shelter is not a fit institution for sheltering young men and girls.

RECOMMENDATIONS

We therefore recommend

(1) That the Federal Bureau of Labor Statistics and the State Industrial Commission be given sufficient appropriations to enable the creation of a complete statistical "barometer of trade."

(2) That organizations more competent for such a task than the present Committee, undertake or encourage the study of the underlying economic causes of industrial dislocations which produce abnormal unemployment.

(3) That a more wide-spread education of the people in the meaning and effects of financial crises and industrial depressions and in the fluctuation of prices, trade activity, and business prospects be made the means of preventing needless panics on the part of the consumers, and of encouraging expenditure, as far as possible, on a normal scale.

(4) That manufacturers prepare against the necessity of closing down or seriously curtailing production at times of depression by developing a production policy which, taking account of fluctuations in demand,—

(a) plans for the utilization of slack times to introduce new staple lines.

(b) retards deliveries in good times, as far as possible, so as to have work in hand when the demand slackens.

(c) diverts permanent additions to buildings, equipment and machinery, and other capital investments, important repairs and additions to stock from busy times to times of depression.

(d) distributes such employment as there is, if production must be reduced, over as large as possible a proportion of the force by means of short time, without however depressing the earnings of individual employees materially below the minimum necessary to support family life.

(5) That when trade crises threaten, the large financial and business interests cooperate to the fullest possible extent with one another and with the Federal Reserve Board to maintain stability of credit and to allay needless alarm, by wide-spread publicity as to the reassuring elements in the existing business situation.

(6) That banks and credit institutions, during periods of industrial expansion, distinguish carefully between healthy home industries reasonably sure of a permanent market, which deserve every encouragement, and industries of a more speculative and ephemeral character which should be induced to maintain their capital expenditures within the narrowest limits.

(7) That the City of New York, in executing permanent improvements, the appropriations for which have been sanctioned, discriminate in the allotment of funds from current revenue and from corporate stock in accordance with the respective urgency of different expenditures, with the avoidance of waste from loss of interest incurred by delays in bringing improvements into use, with the cost of borrowing, of labor, and of materials, and, finally, with the state of the labor market and the rate of unemployment prevailing in the city, and that, other considerations apart, the city's expenditure upon such improvements be made as far as possible inverse in total volume to the general rate of employment in the city.

(8) That similarly the Federal and State Governments be induced to plan public expenditures upon permanent improvements over a period of years, withholding work which is not urgent at times of trade prosperity and speeding it at times of depression.

(9) That, however serious an emergency, a sincere effort be made by the public authorities and voluntary agencies responsible for its relief to classify those in need of assistance in some manner not inconsistent with rapidity of action, so as to determine the kind of relief of which the individual is most in need or which is most likely to be appropriate to his capacity for self-help, possession of resources, station in life, family responsibilities, age, health, etc.

(10) That registration at a public employment bureau or at any private commercial, trade or philanthropic employment bureau which is willing to cooperate in a general city scheme, be uniformly adopted as an obligatory test of unemployment, and a condition precedent to payment of out-of-work benefits and relief by gift or loan.

(11) That as part of the regular machinery of city government there be created, either as a function of a "department of public welfare" or as a bureau of the existing Department of Public Charities, or otherwise, an office charged with the three-fold task of

(a) maintaining a current survey of the state of employment in the city.

(b) keeping an up-to-date register of the city's relief resources, both existing and potential, which can be relied upon as elements in a city-wide cooperative system of relief should an emergency occur.

(c) distributing information to social workers and others to whom persons in need are most likely to apply for advice, enabling them to direct these to the agencies most likely to be able to help them.

(12) That, at a time of abnormal unemployment, the public authorities, influential citizens and the press encourage the benevolent public to support existing agencies equipped to relieve distress arising from it rather than create new funds and relief organizations.

(13) That the incorporation of credit unions, as sanctioned under the state law, organized as cooperative associations for thrift and credit facilities, be advanced by a city, state or national federation of credit unions, equipped to encourage the formation of such unions and providing them with a common inspirational and educational center.

(14) That the Federal Government take appropriate steps to organize the employment market through a nation-wide system of public employment bureaus, assuring the complete mobilization of employment opportunities and the available labor supply.

(15) That measures be taken by the Federal Government at the present time when favorable employment conditions enhance the ability of both employers and employees to accumulate an insurance fund, to devise the most practical and effective means of inaugurating a workable system of unemployment insurance (of which a comprehensive system of public employment bureaus is in our judgment, a prerequisite*) either through

* We have made clear in the body of this report our reasons for this judgment.

an appropriate federal department or by a congressional commission appointed for the purpose.

(16) That relief employment approximate employment under normal conditions as nearly as possible, as regards the utility of the work done, the assignment of tasks suited to the abilities of the worker and the output expected of him in relation to the wages paid and to the degree of efficiency possible; it need not afford opportunities for specific industrial training though this is desirable.

(17) That relief employment, as far as possible, be organized only by such agencies as are already in intimate touch with the persons or classes of persons whom it is intended to aid by this means; that relief employment wages be paid at an hourly rate sufficient to cover the minimum cost of living, with, perhaps, a weekly bonus on production.

(18) That the cultivation of vacant lots be taken into consideration as a useful method of relief employment if the necessity for it arises.

(19) That the amount of relief given be adequate to insure that the total family resources cover the minimum cost of living.

(20) That smaller neighborhood organizations, more intimately in touch with individuals and families in their respective neighborhoods, be more extensively utilized by the larger relief societies as distributors of their relief grants.

(21) That at times of abnormal unemployment, organizations engaging in any form of relief to the unemployed, register all families and individuals assisted in a central confidential exchange such as the existing Social Service Exchange now utilized for this purpose by the leading family welfare agencies of the city.

(22) That relief in kind be made only supplementary to other forms of relief when found expedient to insure adequacy of the total amount of help given to the individual; and that in the allocation of financial and material aid the needs of the family, not only those of the individual person in distress through unemployment, be taken into account.

(23) That shelter for persons made homeless through unemployment, but not permanently belonging to the vagrant class, be provided separately from institutions for the care of the latter; and that in no case homeless minors be provided with shelter in institutions housing a miscellany of adult persons of every description.

(24) That the period of unemployment in the case of minors be utilized for educational advancement by the provision of suitable training, attendance at which for a certain number of hours each week might be made compulsory for all unemployed youths and girls up to the age of eighteen.

(25) That, in order to reduce the supply of juvenile labor at times of general unemployment, school attendance beyond the age limit of legal compulsion be encouraged by the provision of scholarships.

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